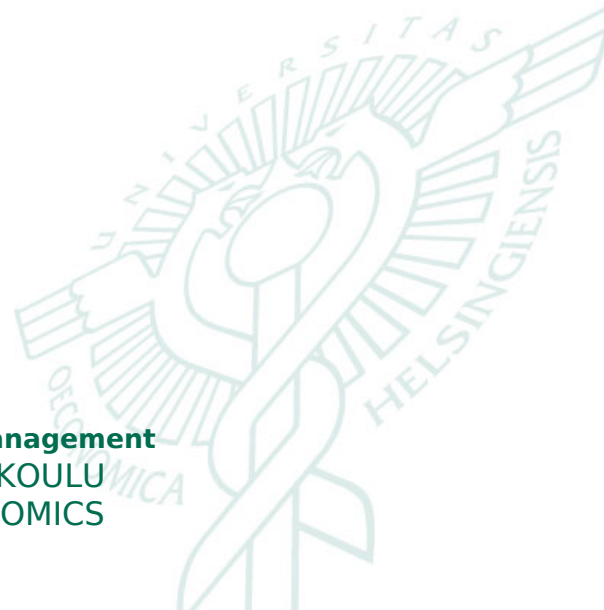


INTERNATIONALIZATION OF TOP MANAGEMENT – MOTIVATION AND EFFECTS Case: Nokia

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Objectives of the Thesis

The main theme of this thesis is the internationalization process of the top management of Nokia. The aim is to discover the reasons behind the process and the effects of it on the company. Also other forms of diversity are discussed, as they were tightly tied to the phenomenon. The internationalization process also led to its further effects at Nokia, diversity management as well as talent management, which are also touched.

Methodology and Data Collection

Case study was chosen as a research method for this thesis because of its unique capabilities in explaining and describing the process of internationalization. Nokia was chosen as the target case, and in particular its Board of Directors as well as its Group Executive Board. Data on the company generally has been gathered starting from the early 1990s or even before that, to get a clear picture of the internationalization process. The main focus is on the years from 1998 to 2009, as during this was the time that the top management was heavily internationalized. However, some data offers a cross-section of the current situation. Semi-structured interviews were used as the main data collection method. The interviews were mostly conducted at the end of year 2008 and the beginning of 2009. Altogether five people were interviewed: the Chairman of the Board, the Chief Executive Officer, a member of the Group Executive Board, and two members of senior management dealing with diversity and inclusion.

Main Findings

The thesis identifies the main motivation for internationalizing the top management to be the company's expanding international operations, and tapping into the top talent in the world. Internationalization was also used as part of a program to introduce diversity into the top management. The current composition of the management is fairly international, but on a company level there is still a need for diversity and inclusion programs. However, as diversity progresses the need for diversity management increases. Diversity management is ultimately a part of talent management, which is starting to be the main focus in the company in order to attract and retain top talent. The biggest concern in this is making sure that the path to the top is open to anyone, based solely on merits.

Key Words

Board of Directors, Top Management, Board Diversity, Diversity Management, Internationalization, Talent Management

YLIMMÄN JOHDON KANSAINVÄLISTYMINEN – SYYT JA SEURAUKSET **Case: Nokia**

Tutkielman tavoitteet

Tutkielman tavoitteena on tutkia ylimmän johdon kansainvälistymistä Nokiassa. Tarkoituksena on selvittää motivaatioita prosessin takana, sekä sen vaikutuksia yritykseen. Myös muita monimuotoisuuden muotoja käsitellään, sillä ne ovat tiukasti yhteydessä johdon kansainvälistymiseen. Johdon kansainvälistymisen myötä tutkimus sivuaa myös sen seurauksia Nokialla, lähinnä monimuotoisuuden hallintaa sekä osaamisen hallintaa.

Tutkimusaineisto ja -menetelmät

Tutkimuksen muodoksi valikoitui case-menetelmä, siksi että se tarjoaa parhaat mahdollisuudet selittää ja kuvailla kansainvälistymisprosessia.. Tutkimuksen kohteena on Nokia yrityksenä, ja erityisesti sen hallitus sekä johtoryhmä. Tietoa on kerätty 1990-luvun alusta muodostamaan kokonaisvaltainen kuva johdon kansainvälistymisen kehityksestä. Enemmän painoa on kuitenkin laitettu vuosille 1998–2009, sillä tänä aikana ylin johto kansainvälistyi voimakkaasti. Joiltain osin on yksinkertaistamisen vuoksi tarjottu läpileikkaus nykytilanteesta. Haastatteluille oli luotu löysä rakenne, mutta niiden annettiin kulkea omia reittejään relevanttien aiheiden noustessa esiin. Haastattelut pidettiin lähinnä vuoden 2008 lopulla ja 2009 alussa. Yhteensä viittä henkilöä haastateltiin: Hallituksen puheenjohtajaa, toimitusjohtajaa, johtoryhmän jäsentä, sekä kahta johtajaa, jotka työskentelevät monimuotoisuuden parissa.

Keskeiset tutkimustulokset

Tutkimus selvittää tärkeimpien syiden ylimmän johdon kansainvälistymiseen olevan yrityksen kansainvälisten toimintojen kasvu, sekä tarve rekrytoida parasta osaamista ympäri maailman. Johdon kansainvälistäminen oli vain osa monimuotoisuuden sisällyttämistä ylimpään johtoon. Nykyinen johdon kokoonpano in varsin kansainvälinen, mutta yrityksessä on edelleen tarve monimuotoisuuskoulutukseen sekä erilaisten ihmisten sisällyttämiseen paremmin yritykseen. Kun monimuotoisuus lisääntyy, myös tarve sen hallinnalle suurenee. Monimuotoisuuden hallinta on suurilta osin osa osaamisen hallintaa, joka puolestaan on noussut yrityksen kiinnostuksen kohteeksi samalla kun tarve rekrytoida ja pitää osaaminen yrityksessä lisääntyy. Tärkeintä tässä suhteessa on varmistaa, että tie ylöspäin on avoin kaikille, ja riippuvainen ainoastaan omista saavutuksista.

Avainsanat

Hallitus, johtoryhmä, hallituksen monimuotoisuus, monimuotoisuuden hallinta, kansainvälistyminen, osaamisen hallinta

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1 INTRODUCTION

When discussing team diversity, the results can go in two directions. On one hand, having a more diverse team means bringing in more opinions and experiences. On the other hand, more similar teams are more likely to understand each other better and thus function more effectively. This study takes a look at a company that has decided that diversity is a vital issue for their success in the global market, and is working on getting the most out of it. As Hambrick and Mason discovered already in 1984, the top management is a reflection of its top managers. Thus the main focus also for this study is on the top management of this company. However, as the interviews showed, diversifying the top management team is not only a part of the globalization process of the company, but in fact a part of the talent management program. Thus the phenomenon will be studied from these two angles – the internationalization process of the top management, as well as how it affects the overall talent management of the company. Also other forms of diversity will be discussed, as they naturally were introduced during interviews held on the subject.

This study is written as part of a broader study on the diversity of corporate boards of Nordic companies and its effect on their competitiveness. The study is conducted in Denmark, Norway and Sweden along with Finland. The phenomenon is studied from both qualitative and quantitative points of view, by gathering quantitative data on the Boards of Directors for all publicly listed companies in these countries, and also conducting in-depth interviews with two to three companies in each country. This project is funded by the Nordic Innovation Center, which is gratefully acknowledged.

This case study is a qualitative study of a Finnish telecommunications company, Nokia. The main focus is the process of internationalizing the company's top management, especially the motivations for it and results of it to date. Nokia was chosen as the case company for several reasons, which will be described in more detail in the methodology

section. The main reason, however, was the fact that it is an example of a Finnish company that has paid close attention to the level of diversity in the company, also at the top management level, and has managed to internationalize it further than many other companies. Nokia is an example of a truly global company, which could be considered a forerunner in the diversification of its top management as well. This makes it an interesting case company for this study, as it is a prime example of how this can be achieved.

“In diversity management literature two interrelated perspectives dominate. The first focuses on how the organization can become more inclusive and how minorities can obtain equality in terms of representation and participation. The second is on business and management and focuses on how the organization can benefit from management policies and practices that work for inclusion and equality.” (Thisted 2002, 57) This thesis discusses both these aspects, especially concentrating on how Nokia has succeeded in establishing this equality in its top management and if its practices can shed further light on this phenomenon.

1.1 Research gap

As can be noted from Thisted's (ibid.) categorization of the two perspectives of Diversity Management, the study focus is mostly on organizations and how management can aid and increase diversity. Forming an international group of top management should be an obvious step on the way to a truly diverse company, but practice shows that this is most often not the case.

Corporate board diversity has been gaining some interest, but often the focus has been comparing the ratio of insiders to outsiders on the board (to be defined later). Diversity as such has been studied mostly on the lower levels of companies, and the focus has often been how to manage and enhance diversity, not the actual effects on the company or how it could lead the company to become more competitive. Also, to a large extent

focus has been on companies originating in the United States (Guest 2008), which undoubtedly offers a whole different geographical diversity. It also provides a somewhat different set of problems, when there are laws set on equal opportunity and affirmative action, which require the company to hire “minorities” simply for the sake of numbers, and these “token” candidates may not receive the treatment that would lead to their inclusion.

1.2 Research questions

The goal of this study is to study the level of internationalization in the top management of a global company. The aim is to answer the following questions:

What is the motivation to have an international top management?

How international is the top management?

How was the top management internationalized?

Can changes in the top management be reflected to financial success?

Is there an alternative to internationalizing top management?

Does internationalization bring about true diversity?

The research problem is that while there are models for the internationalization process of companies, as well as the attitudes towards International Human Resource Management (IHRM), these two may not be aligned. Although a company may have reached global status, its Human Resource Management (HRM) practices may still be very much focused on employing domestically. This is the case especially in the top management, which seems to be the last level to internationalize in light of Perlmutter’s (1969) management attitudes, which will be described in the literature review. The aim of this case study is to find out reasons for this, as well as to determine if there is a solution to the problem.

1.3 Definitions

In this section the most central concepts to this study will be defined in order to aid in grasping the themes and to ensure that they are understood in the same way throughout the text.

1.3.1 Diversity

Initially the term diverse meant being deviant from the norm, odd, strange, or different in a negative way. (Niemi 2008) The Oxford English Dictionary defines the word diverse as “Different in character or quality; not of the same kind; not alike in nature or qualities” and diversity as “The condition or quality of being diverse, different, or varied; difference, unlikeness”. In organizational culture, though, diversity has come to be used for including different people in the workforce, although mainly in a demographic sense.

1.3.2 Executive/Nonexecutive Directors

The Finnish Corporate Governance Code (2008) defines an executive director to be a person who is employed by the company or has a service contract with it. Finnish listed companies mainly have nonexecutive directors on the board, but sometimes the managing director is a member of the board. In this text executive directors equal members of the Group Executive Board, while members of the Board of Directors are mostly nonexecutive directors, with the exception of the CEO.

1.3.3 Independent/Dependent Directors

In a Board of Directors dependence can be divided into three categories: being dependent on the company, being dependent on a significant shareholder of the company, and other limitations that result in a lack of independence from the company or a significant shareholder. The qualifications for these are all discussed in the Finnish Corporate Governance Code (ibid.) as follows:

- A director is not independent of the company if he fits the description of an

executive director or has been employed by the company in the past three years. Also belonging to the operative management of a company that has been in a significant relationship with the company in the past year, or having been an employee or partner of the company's auditor in the past three years makes the member dependent.

- Being dependent on a significant shareholder can be defined as exercising control in the company or is employed (or has been in the past three years) by a significant shareholder (that holds at least 10% of all company shares) in the company, or is a significant shareholder in such a company.
- Other restraining factors can be receiving the same performance-related remuneration as the management, having served over 12 years on the Board of Directors, or being private or legal parties that are related to a dependent shareholder.

1.3.4 Top Management

In this text, the term top management refers to the Board of Directors and the Group Executive Board, unless otherwise stated. In these cases, the top management can also include the level, which directly reports to the Executive Board.

1.4 Limitations

The optimal situation would have been to have the opportunity to interview all the members of Nokia's Group Executive Board and the Board of Directors, or at least an equal amount of Finnish and foreign directors and board members. Also former members would most likely have been able to give valuable insights into the internationalization process of the top management. Having only four interviews with five people, the opinions in the study are quite subjective, and information had to be derived from existing literature on Nokia, where this subject area was merely mentioned.

Another limitation is that at Nokia top management is generally considered to be the Board of Directors, the Group Executive Board, and the level of directors that report to the Group Executive Board. However, information on the directors below the Group Executive board is difficult to come by, and also the number of people on that level increases greatly, so they have been left out of the studied group, unless mentioned in the interviews.

2 LITERATURE REVIEW

Prior literature on firm internationalization has covered the topic from several angles. Some of these angles are: market entry methods, IHRM, and executive attitudes towards IHRM. However, as the process continues, more and more focus needs to be placed not only on the internationalization itself, but also managing the diverse work force it creates as well as fostering an inclusive work environment, all in order to have a functioning setting for managing talent in to its best potential. Prior studies on these main themes are presented in this chapter, with the aim to better explain their role in providing an effective way to utilize the best talent.

2.1 Internationalizing Top Management

The internationalization of operations in companies is a process that has been thoroughly studied. In light of the generally accepted model of the process, the first step is exporting products. This may not require much market knowledge, as it can be done through an intermediary such as an agent or distributor. It also often requires little effort from the top management. The next step is usually setting up a sales subsidiary in the target market. This is usually followed by setting up for instance a production or service facility, which can be the critical time to establish an international division to deal with all international activities. (Dowling et al. 2008) As the firm's international functions increase, it is usual that the firm employs personnel from outside the home country. A more international workforce as well as the increase in activities abroad augments the need for people who understand the importance of international operations and have the skills to manage a diverse workforce.

Once the firm has started operations abroad, its multinational status can be determined by several parameters. These include the level of international ownership, the number of expatriates overseas, the percentage of investments overseas, or the distribution of

equity by nationality. However, although these are useful tools, ultimately a true multinational is determined by the attitudes the executives have towards doing business abroad. This can be better determined by looking at for instance the number of foreigners holding top positions in the company, or the proportion of nationals in each country holding equity. (Perlmutter 1969)

While the organization's operations are internationalized, it is only natural that the company's workforce also becomes multicultural. The way an international staff is managed is heavily reliant on the attitudes of the key figures in the company. Dowling et al. (2008) write that senior management must have an international mindset in order to truly understand international operations and their importance, which in turn is linked to the attitudes they show towards the international operations as well as the staff. Managers who are domestically oriented may think that management practices are easily transferred to international operations, which is more than likely to be a false assumption. Perlmutter's (1969) three different attitudes of international executives towards staffing decisions are presented next. Although they are often used in HRM literature for how employees are managed, ultimately they have a strong effect on who achieves executive status in the organization as well.

Ethnocentric

An ethnocentric, or home-country oriented, attitude means that the home-country nationals view each other more reliable and trustworthy than foreigners. The home country's ways of doing things is imposed on business in foreign countries, and they want to be viewed as superior to the host country. Although these attitudes may not be expressed directly, but they can be seen in for instance the structure of the organization as well as the managerial processes. The company will convey the attitude that whatever works at home, should work abroad. The company is strongly linked to the home country and having a nationality. (ibid.)

An ethnocentric approach would for instance be seen in the parent company wanting to

retain direct control over a subsidiary by staffing a foreign sales subsidiary with parent country nationals – especially in key positions abroad. Even when moving on to having broader operations abroad, companies may simply replicate the parent company in the organizational structure, and also keep parent country nationals in key managerial positions. However, some may post host country nationals in for instance HRM, and also in other key positions for instance to give a local orientation to the subsidiary, or to comply with regulations in the host country. (Dowling et al. 2008)

Polycentric

Perlmutter (1969) calls a host-country oriented approach polycentric. These types of firms assume that the culture in the host country is different, and that foreigners are difficult to understand. They think that operations in a foreign country should be as local as possible, because the locals know what works in that culture. These types of firms are often quite loosely connected with quite independent subsidiaries. The executives give loose hands to the subsidiaries, as they know best. The assumption is that there should be different incentives, standards for performance and training methods for each country, as the people are different as well. (ibid.)

This type of attitude can be seen in the absence of home-country nationals in the subsidiaries. However, as there is a minimal amount of people from the head office expatriated to these subsidiaries, it may lead to the subsidiaries having the feeling that the headquarters do not share enough information with them. These companies do not want outsiders to think of the company as being foreign-owned. However, although the host-country nationals are left to handle the subsidiaries independently and have the opportunity to key positions in each country, they are still preferred to be kept out of the headquarters. This may lead to an ethnocentric attitude among the country managers. (Dowling et al. 2008)

Geocentric

A geocentric, or world-oriented attitude is when the executives no longer view one nationality or another to be superior. The best talent is recruited for positions around the

world, no matter what nationality they represent. The subsidiary's task is to rake benefits such as "1) an increasing supply of hard currency, 2) new skills and 3) a knowledge of advanced technology" (Perlmutter 1969, 13) Each subsidiary is part of a network of equal parts that contribute to the host country as well as the company on the whole, and may have its own unique role to play in the large picture.

In a geocentric company the subsidiaries and headquarters allocate functions to the most suited place. The country heads are included in the international management team. This type of approach requires an incentive system to take the country managers' focus off of simply defending their rights, but instead to work for the good of the whole company. This attitude is the one that companies were told to strive for, moving on from ethnocentric or polycentric approaches, already at the time of Perlmutter (ibid.).

In addition to these three attitudes identified by Perlmutter (ibid.), a fourth term is often also attached to the discussion of attitudes. The term *regiocentric* was later added by Heenan and Perlmutter (in Dowling et al. 2008), and is used to describe an approach, which reflects the geographic strategy and structure of an MNE. It is similar to the geocentric attitude in the sense that managers are used more broadly. However, staff is only moved out of their countries within a certain region, and is not promoted to the top management that is posted in the headquarters. It can be thought of as being a step towards geocentrism from ethnocentrism or polycentrism, while remaining quite sensitive to local needs. However, it does still retain area-specific groups by keeping the regional executives away from the corporate headquarters, which in turn is a hindrance to becoming truly global.

Grecoric et al. (2009) conducted a study on how diversity in the Board of Directors affected the competitiveness of Nordic firms. In addition to quantitative data, in-depth case studies were prepared on nine companies in the Nordic countries. This case study on Nokia was included in this study. Figure 1 shows the internationalization process of the companies studied, although board internationalization refers only to the Board of

Directors. The study suggests that the case companies adopted a reactive rather than a proactive approach to the international operations they already had. At the time when the interviews were conducted, though, most of the companies had moved on to place more importance on other forms of diversity than geographical diversity, such as cognitive, experiential or linguistic diversity.

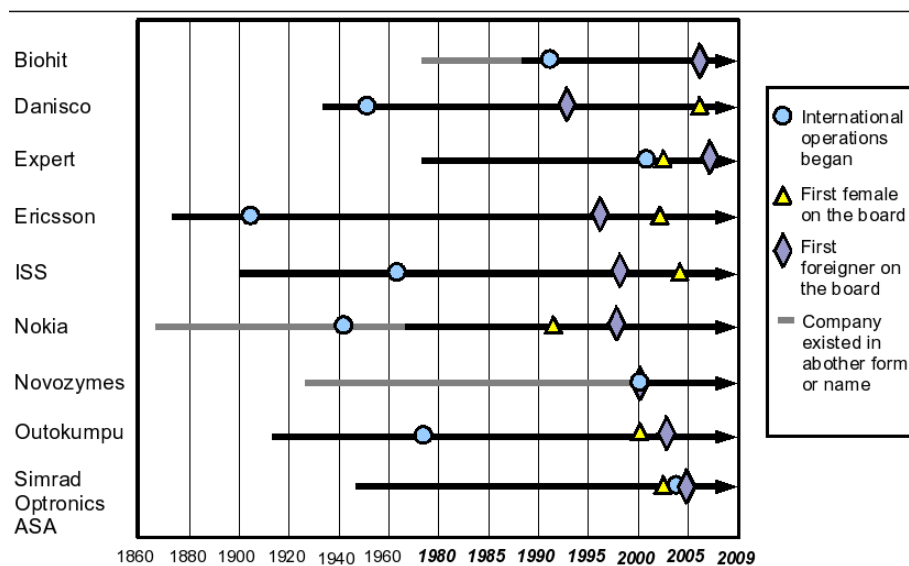


Figure 1 Corporate board diversity and internationalization process of case companies

2.2 Top Management Diversity

Internationalization is only one aspect of diversity. Often, though, it is thought to be the quickest and easiest way to achieve diversity within a group. This section will present the main reasons why diversity is something to aspire to in companies, with a brief overview of the most common characteristics that are often used to introduce diversity in a team.

Herriott and Pemberton (1995) suggest that boards with diverse members have a higher turnover rate, and the ones who are most likely to leave the board are least similar to

their colleagues. However, the boards that do manage to maintain their diversity are more likely to succeed, especially if the members have worked in various functions and in several organizations. This means facing fewer bankruptcies, as well as being more adaptable to change.

Successfully shifting towards a diverse organization is best established when the change starts from the top, in other words forming a multicultural top management team. This leads to a broader understanding, and better credibility to diverse stakeholders by showing that it is possible to succeed with any background. However, in practice there is often a conflict, and the staff is diversified, but the top management remains homogenous. (Lahti 2008)

2.2.1 Gender Diversity

Throughout Europe women are yet to advance to senior management positions even domestically in large numbers. However, the number of women in international managerial positions is even smaller – only approximately 3 % of international managers are women. The number of women being sent out as expatriates is slowly growing, but the amount of women in international managerial positions is lagging behind the amount of those in domestic managerial positions. (Linehan & Scullion 2001) In 1998 it was estimated that 10 to 12 % of expatriates from Western organizations are women (Caligiuri & Cascio 1998). However, this is an alarmingly low figure, considering that in the recent years international experience has become a prerequisite for promotions to the top in international organizations.

Caligiuri and Cascio (ibid.) identify traits that are needed for women to succeed in expatriate posts, but these characteristics are also those that are also required for advancing to senior management. These are a) technical competence, b) self-efficacy and confidence, and c) personality characteristics, such as openness and flexibility. If a female possesses these traits, there should be no obvious reason why she would not advance in her career, even to international management.

Catalyst (2004) has studied the relationship between company financial performance and gender diversity. Their results, from looking at the Return on Equity and the Total Return to Shareholders in 353 Fortune 500 companies, were that there is a connection. They discovered that for the group of companies with the highest amount of women on their top management teams, the Return on Equity was 35.1 % higher, and Total Return to Shareholders was 34.0 % higher, than for the group with the lowest women's representation.

Bailyn (2008) brings up a topic coined negating womanhood. Some studies suggest that when facing two qualities that differ from the norm, they in fact cancel each other out to become acceptable. In the examples she gives, women were more likely to be accepted if they were also a foreigner or of a different ethnicity. What makes this relevant to the study is that, interestingly enough, the women on the Board of Directors as well as the Group Executive Board at Nokia are also not Finnish.

2.2.2 Cognitive Diversity

Cognitive diversity is defined as the extent to which the group reflects differences in knowledge, including beliefs, preferences and perspectives (Miller et al. 1998). This includes for instance diversity in educational background, work experience, and personal experiences. As such, for the purposes of this it is used as the antonym of more visible forms of demographic diversity, such as sex, age, nationality or ethnicity. Although cognitive diversity is not mandated by affirmative action, and does not provide a noticeable promotion of diversity, it can be the most important form. Top management characteristics have been studied especially in light of this type of diversity, and while the results are ambiguous, cognitive diversity does seem to enhance financial performance in firms that operate in fast moving, turbulent environments. (Carpenter 2002, Hambrick & Mason 1984)

Miller et al. (1998) argue that the reason that no conclusive results have been reached on

the effects of diversity on firm performance is that the studies have been too focused on demographic characteristics. Meanwhile, it could be that the direct effects of demographic diversity are too weak to measure consistently. Also researchers debate whether or not demographic diversity has an effect on cognitive diversity. In this study, though, the effects of cognitive diversity are measured through the strategic decision-making and problem-solving skills of the top management team, which can provide a variety of results depending on the quality of these decisions and solutions. (ibid.)

2.2.3 *Language*

Language is an important aspect in communication. It not only encompasses the direct words spoken, but also the meaning and significance the speaker and the listener place on those words. Two people may be speaking the same language, but have very different logics in their thinking (Potoker in Lahti 2008). Especially when using English as a working language, false feelings of mutual agreement may arise, as the speaker reflects the message against their own cultural background. (Lahti 2008) This can of course affect teamwork, especially if not detected. In fact, Lahti (ibid.) states that striving for a unilingual organization should not be an objective, but instead languages should also be included in a balanced scorecard to keep the company tuned into market signals and innovation.

2.2.4 *Financial Benefits of Diversity*

As the markets become increasingly diverse, an organization also needs to gain a deeper understanding of the customers' needs in order to better serve their clients. A homogenous group is more likely to excel in problem solving, innovation, and creative solution building. Satisfied employees who feel that they are valued are more likely to stay with the company for longer period of time and also perform at higher levels. All these aspects will have an impact on the company's financial success. Failure to implement a diversity program can also be costly, taking into consideration the possible costs of high employee turnover, negative impact on the brand image, a bad image in the community, and even litigation costs. These should also be evaluated when considering the possible return on investment of a diversity program. (Hubbard 2004)

The starting point of this study was to determine if there are financial benefits to be gained from a diverse board of directors. The answer seems clear, but the difficulty is how to derive measurements of increased financial performance that could be directly linked to diversity. Lahti (2008) states that so many factors affect the results of a company that it is nearly impossible to single out the effects of diversity. She also states that there is much confusion and tension related to diversity programs, especially if they are badly managed, which makes it all the more difficult to form conclusions. Hubbard (2004), on the other hand, believes that this can be done. He has developed a scorecard for firms to use in order to manage diversity as an asset, as well as to link diversity to the firm's financial success and show the direct contribution. This scorecard should include four major themes, which are 1) the deliverables that enhance the role of diversity in the overall company strategy, 2) how to build a high performing working environment using diversity as an asset, 3) the role of this environment in the firm's business strategy, and 4) how efficiently these deliverables are created. (Hubbard 2004, 50) In order to get specific measures for controlling the scorecard, he has also developed the Hubbard Diversity Return on Investment Analysis Model, which is pictured in figure 2 as a step-by-step process.

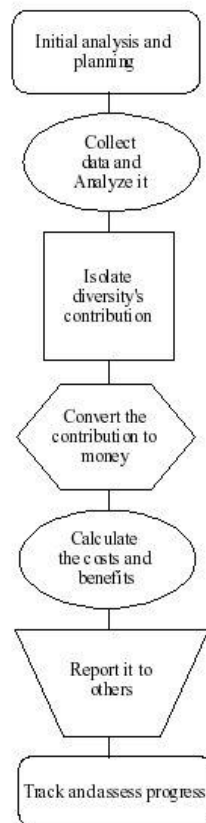


Figure 2 Hubbard Diversity ROI Analysis Model (Hubbard 2004, 44)

Step 1: Identify the business problems or opportunities related to your key business strategy, and list the questions you want to ask or the hypotheses you want to test in this process.

Step 2: Information about hard data (output, quality, cost, time and frequency) and soft data (work habits, work climate, attitudes) are collected. Some methods that can be used to gather these are: follow-up surveys, post-study interviews, focus groups, pilot projects, action plans, performance contracts, and performance monitoring. This information must be gathered keeping time and budget constraints in mind.

Step 3: Collect the factors that are directly related to the diversity initiative. Resources for this are: control groups, trend lines, forecasting models, participant estimates, supervisor estimates, senior management estimates, expert estimates, subordinate estimates, customer inputs, and other influencing factors.

Step 4: Set a monetary value to each unit of data. There are multiple ways of doing this, such as getting expert opinions from internal and external experts, participants, supervisors, or senior management.

Step 5: Calculate initiative costs. Include for instance: design and development, materials, facilities, salaries and benefits, overhead costs. At this point the Diversity Return on Investment can be calculated by dividing the monetary value of benefits by the costs. Also intangible benefits need to be evaluated in monetary value, such as: job satisfaction, organizational commitment, teamwork, and reduced conflict.

Step 6: Prepare a communication plan for the results. Things to take into account are: developing an organized communication plan, the communication vehicle to use, and how to evaluate the implementation of the plan.

Step 7: Maintain gains made or benefits from lessons learned. (ibid.)

The matter of whether or not this type of evaluation is possible is debatable. One criticism of this is that it does not anticipate the financial benefits, but only gives us information about what happened. Also, it may reinforce functional silos, as costs and benefits are allocated to functions, like when preparing financial statements, rather than the cross-functional teams that we tend to see today. Long-term thinking may also be sacrificed when results are needed quickly because the costs are carried in short-term financial statements, while the results are created over a longer period of time. However, an effective scorecard can help in keeping the initiatives on target, and also show the progress in the organization. Besides helping a company in achieving effective diversity performance, this will aid in determining if the initiatives are a source of organizational improvement, or possibly need to be adapted. (ibid.)

Carpenter (2002) studied management teams in particular in order to determine if their diversity can create financial benefits for organizations. His definition of diversity was more focused on the cognitive side – education, work experience and tenure. In this study the result was that for stable environments homogenous teams have better performance, while in environments with high complexity and uncertainty

heterogeneous top management teams perform better.

Hambrick and Mason's (1984) propositions on top management team's characteristics and their effects on firm performance were the starting point also for Carpenter's study. These propositions also focused on the more observable forms of cognitive diversity when speculating if the team's characteristics do have an effect on firm performance. Their observations dealt with diversity within age, tenure in the organization, functional background, education, socioeconomic roots and financial position. These propositions included the assumption that homogeneous teams would work better in stable environments and heterogeneous teams would create more profitability in turbulent environments. This was based on the thought that heterogeneous groups solve novel problems better as they are better enabled to avoid groupthink. However, neither Carpenter's (2002) or Hambrick and Mason's (1984) studies provide accurate models for measuring the financial benefits accrued by having a diverse board.

2.3 Managing Diversity

Diversity management is the process of planning for, organizing, directing, and supporting a collective mixture of differences and similarities in a way that adds a measurable difference to organizational performance. (Hubbard 2004, 8) The goal of diversity management is enhancing an individual or organization's well-being, functionality and productivity in a just and equal manner. (Lahti 2008)

In order to be a truly global company, it is not enough to simply have operations around the globe. A company cannot achieve this status without becoming a multicultural organization. This is defined as "an organization that fosters and values diversity in the workforce, organizational culture and organizational systems and practices such as recruitment" (Cox 1993 in Mlekov & Lundgren 2002, 203). To achieve this, the company needs to recruit diversity as well as want to take advantage of the competencies, skills and talents offered by this diverse workforce (ibid.) Mlekov and

Lundgren (ibid.) consider only the workforce in their article, but as stated earlier, this diversity should reach to the highest levels of the company, so as to have an equally multicultural organization throughout the company.

Opening up recruitment practices for representatives of various cultures does not make a company multicultural as such. What is also required are practices and organizational structures to take advantage of these cultures (ibid.), which includes open access for all cultures to all positions in the company, without a "glass ceiling". If the diversity is not utilized, the new members may feel the need to adapt to the existing culture in order to conform to the norm. This in turn is a step back towards a homocultural organization, erasing the benefits that could be reached with a multicultural organization. (Cox in ibid.)

Leena Lahti (2008) has described the evolution of diversity management and its changing focuses over time in figure 3. The first step was to give minorities, mainly women and other ethnicities, equal rights, or even human rights. The second phase evolved to striving for equal opportunities for the aforementioned minorities. Once diversity was introduced in the 1990s, the focus was first on promoting it in the first half of the decade, when also the management was expected to understand diversity as well as to reflect it in order to be credible. In the latter half of the decade interest shifted to managing diversity. In the 21st century developing an organizational culture requires moving on to talent management by making sure the best talent is recruited and retained. This talent comes in many forms, and thus all genders and ethnicities need to be accepted as is. (ibid.)



Figure 3 Trends in multicultural management (part of Lahti 2008, 30)

Herriot and Pemberton (1995) have distinguished three ways of dealing with diversity. The first one is similar to the aforementioned assimilation of diversity – the “vindaloo” model; everything ends up tasting the same no matter what is initially put into the dish. The second one is the protective “Nouvelle cuisine” model, where diverse attributes are set apart, and may end up receiving preferential treatment. Affirmative action in the United States could be an example of this. The third model is the “Sunday lunch”, where each part enhances the whole, and is valued for what it can add to the experience. The third model is what firms should be striving for, and what successful companies will embrace in order to survive in globalizing markets. For these models diversity is not only about visible attributes such as ethnicity or gender, but also socio-economic culture, personality, abilities and so forth are considered.

Copeland (in *ibid.*, 18) provides a list of 10 ingredients for preparing a Sunday lunch:

1. “Recruitment: recruit diversity
2. Career development: ensure the same development jobs are open to all.
3. Provide diversity training for managers.
4. Provide diversity training for other employees
5. Make efforts to break glass ceilings.
6. Seek views from diverse groups rather than just from their managers.
7. Ensure networks and support groups for minorities.

8. Hold managers accountable for development of all subordinates.
9. Accommodate organizational systems to individual needs (holidays, religious observances, family, etc.)
10. Install visible outreach programs into the community.”

This recipe seems simple enough, but implementing it is likely to be more difficult, as people tend to prefer to work with people that are similar to them, and are often resistant to change. (Herriot and Pemberton 1995)

Philips (in Hubbard 2004, xi) states that executives often take one of two approaches to diversity. The first one is the reactive approach, where diversity is viewed as necessary only for the sake of and to avoid discrimination complaints. The other one, the proactive approach, see diversity as an asset to the organization, where the impact of diversity should be a driver to invest strongly in it. If the benefits of diversity are not clear to the executives, they are likely to be inclined to invest in more tangible assets, which can be depreciated over time. (Hubbard 2004).

2.3.1 Benefits

The benefits of diversity in a company are numerous. It can be considered a competitive advantage that benefits all stakeholders in the company. Managed properly, it can also improve the firm’s image as an employer, increase job motivation and commitment to it, reduce employee turnover, and possibly even open up new customer segments. The key to portraying a good company image is transparency and making sure that the claims made about the state of diversity in the organization are true. (Niemi 2008)

2.3.2 Diversity and Inclusion

The modern way of managing diversity is to add inclusion to the title, making the process managing diversity and inclusion. This indicates a separation of quantitative attributes and qualitative. From this point of view, diversity is not only about numbers

and having enough diversity; it also signifies sensitivity to factors effecting life, a sense of community, and the participation of each employee. It also takes the focus off the individuals' differences to synergies in the organization. (ibid.)

2.3.3 *Affirmative Action*

In the United States diversity management is often linked with affirmative action. This means that companies must abide with laws on gender, ethnic and veteran quotas. The goal of this is to right the historical wrongs and fulfill equality by providing equal opportunities and social fairness in education and employment. The goals are mainly based on statistics. Similar systems also exist in for instance Australia, Belgium, Canada, Malaysia, Sri Lanka, and South Africa. (ibid.) How to make sure that diversity programs are equal globally, and relayed that they are based on other motives than simply compliance with the laws is an important matter to take into account in a global organization.

2.4 Managing Talent

Diversity management is often linked to corporate social responsibility, corporate ethics as well as talent management. (ibid.) It is an essential element in talent management, as more and more jobseekers place emphasis also on company characteristics such as respecting employees' needs, valuing individuality, and anything that adds to a balanced lifestyle for them. (Sadler 2009) Sadler (2009) also quotes a Chartered Institute of Personnel and Development research, which states that the top business benefit of diversity is perceived to be talent management.

In an international organization the focus of the HR function has shifted to senior management development, succession planning, and developing a framework for international managers. Despite this, studies have shown that HR personnel are rarely involved in strategic planning for the organization, but are rather mostly concerned with implementation. Still, some studies argue that in the US the strategic role of HR has

risen, as the perception that HR makes a contribution to business performance has increased. (Scullion and Starkey 2000) Whether the mentioned focuses are performed by HR or some other function, they are important aspects in managing talent in an international environment, and especially for creating a diverse organization on all levels, that also understands the value of diversity and inclusion. Scullion and Starkey (2000) argue that many organizations have a dual system in place, where top management and high-potential executives are managed with a global and centralized HRM strategy, while a polycentric and decentralized approach is used for the rest of the staff. This dual approach may prove difficult in practice for identifying and managing talent, as most of the employees are managed at the subsidiary level.

One of the main reasons for diversifying the top management is the enlarged talent pool it brings. The amount of candidates is not limited to the best in the country, but instead the best in the world. However, getting the best is not enough. They must also be kept in the company, and developed further in order to maintain the talent, as well as keep them challenged and interested. Evans and Pucik (2002) identify three key elements for talent development, once the talent is obtained: challenging assignments, risk management and hardship testing. The first term is the most important for talent development, as it is the best way for employees to develop themselves. Risk management has to do with mentoring and training, which can be used to avoid costly mistakes, and also to assessment to see how a person reacts to a challenge. However, training and mentoring should not be used to the point where the employee does not learn to stand on their own. Hardship training teaches the employee to deal with failures and mistakes to build up emotional resilience. However, these forms of talent development also require the willingness to expose oneself to new challenges, and the ability to learn from experience. Talent development becomes increasingly important when the company is training international managers. In transnational organizations the career paths are less likely to be direct, and thus managers must be able to identify opportunities themselves. (ibid.)

3 METHODOLOGY

3.1 Method of Research

3.1.1 *Qualitative Research*

Auerbach and Silverstein (2003, 16) define qualitative research as such:

Qualitative research is research that involves analyzing and interpreting texts and interviews in order to discover meaningful patterns descriptive of a particular phenomenon.

Instead of testing a hypothesis, the objective of qualitative research is to generate hypotheses. It is also a more appropriate method when the objective is to obtain subjective information of a phenomenon, instead of providing numerical evidence for a pre-existent hypothesis, as is the case with quantitative research. (Ibid.) However, several researchers have criticized the “either-or” of qualitative vs. quantitative research, and a continuum between these two methods has been noted (Guba & Lincoln, Alasuutari etc. in Metsämuuronen 2000). The differences between the two methods are numerous, though, which is why Metsämuuronen (2000) suggests choosing one or the other as the main research method. Already this definition provides the basis for choosing a quantitative research approach for this thesis.

Syrjälä et al. (1996, 12-13) suggest that qualitative research is most suited when the study is focused on details of the structures of an event, instead of the general spread of these events, or on the significance of single participants in an event. Also when studying natural phenomena that cannot be duplicated in experiments or where all factors cannot be controlled the qualitative research method is more suitable (ibid.) As the interest in this study is on the internationalization process of the top management of a single company, qualitative research was chosen as the more appropriate method.

3.1.2 Case Study

A case study is a form of qualitative research. It utilizes various forms of information obtained in various ways to study a current event or a functioning person in a certain environment (Yin in Metsämuuronen 2000, 16). A case study could be considered to be a fundamental strategy for obtaining qualitative information, as nearly all strategies use case studies as their approach. The difference between these strategies is how the information is obtained and what is being studied. (Metsämuuronen 2000, 18) This approach was chosen for this study, because the top management of a company is a changing environment, and its diversification is an ongoing process. A case study can be used for exploratory, descriptive or explanatory purposes (Uusitalo 1998, 76), of which descriptive best fits the aim of this study.

Characteristic to a case study is using multiple sources for gathering information. It is obtained from where it is available. (Syrjälä et al. 1994) Thus multiple sources were used for this case study, of which the main method was performing interviews with members of Nokia's board, top management, and diversity managers. Other sources were the press, including former interviews with the management as well as articles tracking news about happenings in the company. Nokia's company website also provided a vast amount of information about the structure of the company, the Group Executive Board and the Board of Directors, as well as access to old annual reports. This background allowed the interviews to focus on the study's topic and also to formulate the interview questions in light of prior knowledge about for instance the interviewee's history.

As is usual for case studies about companies, also this one is longitudinal by nature, as defined by Uusitalo (1998, 74). The objective is to study the process of diversifying the top management, which in practice, means studying the years from 1992, when the first woman entered the Board of Directors, to the financial year of 2008. Although Nokia has not been observed throughout this time, information is readily available about the history of the company, and lacks in this information could be obtained from the

interviews through retrospective questions. (ibid.)

3.2 Data Collection and Participants

The focus of this study is a single company, and its top management, meaning the Board of directors and the Group Executive Board. When choosing the company, several criteria had to be fulfilled. All companies chosen for the Nordic Board Diversity – project needed to be listed on the stock exchange, have international operations, and have had significant changes in the board recently. Nokia was chosen as it fulfilled these criteria, and it also provided a counterpart to the case study made on Ericsson in Sweden.

An important step in the research process was reading reports of the other case studies prepared for the project, which guided the themes introduced in the interviews. These reports had been prepared by researchers in the other participating countries, as well as other researchers in Finland based on similar research methods as introduced here – interviews and secondary information. Some of these reports were prepared as a thesis, thus often providing more information than the ones that were meant solely to inform about the themes discussed in interviews as additional information to the quantitative data that had been gathered.

Interviews were chosen as the main form of gathering information. A quantitative study had already been performed to go along with the same theme, so the main objective was to provide in-depth information about the motivations and processes that guide the diversification process in a company. In particular face-to-face interviews were valuable to this goal, so as to pick up on the smallest nuances of the interviewee. Hirsjärvi and Hurme (1985, 15) provide several reasons that suit this study for using interviews:

- The subject lacks objective tests,
- Descriptive examples are desired,

- Answers require interpretation or specification,
- The topic is being mapped out, and
- The object of study has low motivation.

Due to scheduling, the study proceeded simultaneously by getting acquainted with literature on the topic of diversity and board internationalization, as well as preparing and holding interviews. The interviews were scheduled one at a time throughout the writing process. The research project required that, if possible, interviews with the Chairman of the Board, board members, and the CEO should be conducted. In addition to these, a member of the Group Executive Board and managers in charge of company diversity were interviewed in order to gain a more comprehensive image of the diversification process. The interviews were scheduled by contacting either the interviewees or their secretaries by telephone and e-mail. Altogether four interviews were conducted over a time period from November 2007 to March 2009. Three of the four interviews were held with two interviewers and one interviewee, while one interview had two interviewers and two interviewees. Thus altogether five people were interviewed.

The interviewees' backgrounds as well as Nokia's history were studied thoroughly through secondary sources such as the corporate website, literature about the company, and the press, which offered a vast amount of general information. As the position and viewpoint of each interviewee differed, the questions were formed individually for each interview. The interviews were conducted as semi-structured interviews – previously prepared questions were mostly used as back up, since the interviews were allowed to take their own course and unplanned topics often arose, which were then discussed further. All the interviews were recorded with the permission of the interviewees.

3.3 Method of Analysis

As is often the case in qualitative research (Hirsjärvi et al. 2000, 208 etc.), gathering research material and analyzing it partially overlapped. This was especially due to the long breaks between the interviews, during which the study needed to progress. Recordings of the interviews were transcribed word for word as soon as possible after the interviews so as to have the discussion fresh in mind, and so that it would be easy to read the material several times in order to have a clear vision of the discussions.

The research material was analyzed in two stages, where the interviews were first separated into small pieces to find out the main topics of discussion, and then put together again into a new entity. In the first stage the point of focus was statements from the interviewees, but not necessarily single phrases or opinions. After reading the transcribed interviews several times, three topics were picked out as focal points of the study:

- Nokia's internationalization process as applies to the top management
- Other forms of diversity in the top management
- Talent management

Each theme was further divided into categories that emerged in the interviews. Then, the opinions of one interviewee were compared those of the others, if similar themes were discussed in more than one interview. For the first theme, information gained from the interviews was also blended with prior knowledge of the internationalization process at Nokia to get an extensive understanding of the process. Knowing how the process has evolved to the point where it is now is necessary in order to understand the current situation at Nokia, and to derive conclusions on effective methods that have already been in use.

In the second stage the emerged themes were discussed further to form conclusions.

These conclusions were then matched with pre-existing theories to see if these theories relate to Nokia as a company. Other interesting viewpoints have also been discussed where seen appropriate.

3.4 Reliability and Validity

The applicability of evaluating qualitative studies with the terms of reliability and validity as with the same criteria as for quantitative studies has been criticized, because the terms are unclear when discussing qualitative studies (see Wolcott, Holstein & Gubrium, etc. in Hirsjärvi et al. 2000, 214). However, qualitative studies also need to be appraised for their scientific value.

The validity of a study means the ability of the study to measure that which it was set out to measure. (Hirsjärvi et al. 2000, 212) The text was measured for validity by seeing if it answered the set research questions – in other words does it measure what it was meant to. The limitations and possible misinterpretations have been discussed to the best of my extent. The path of the conclusions has been introduced as far as possible with quotations from the interviewees, and arguments for the conclusions are included.

The reliability of a study is measured by its reproducibility. When speaking of a qualitative study, reliability can better be measured by the consistence of the people, places and events described. (ibid.) A list of the people interviewed, as well as the times and places of these interviews have been provided in this thesis.

Uusitalo (1998, 82) rephrases that it is important for the reader to be able to see how the author has reached their conclusion, and equally important is that the classifications and interpretation rules used in the text are unambiguous and followed consistently. The different terms used in this study have been defined in the beginning, and clarifications provided where needed. Hence, the criteria for validity and reliability are met.

When measurements for a study are reliable and valid, the material can be considered internally credible. As for external credibility – the extent to which the sample represents the universe – the results have been compared to the existing studies of other companies or larger samples. This makes the general credibility of the study sufficient. (ibid. 86)

The validity of this research can be assessed through triangulation, which was introduced by Denzin (1970 in Hirsjärvi et al. 2000). Of his four types of triangulation, two can be used to test the validity of this study. The first is Methodological triangulation, which means using the aforementioned multiple methods of evaluation. The other one is theoretical triangulation, where a phenomenon is approached in light of different theories, which have been presented in chapter 2.

4 CASE NOKIA

This chapter takes a closer look at Nokia as a company, its internationalization and current situation in light of diversity. Then the Board of Directors is introduced, followed by the Group Executive Board. A short description of the interviewees for this case study is given before moving on to describe the findings from the interviews. The content of the interviews is analyzed in more detail in chapter 5.

4.1 The Company

4.1.1 Overview

Nokia Oyj is a public limited liability company headquartered in Espoo, Finland, and listed on the stock exchanges of Helsinki, Frankfurt and New York. It has gone through several acquisitions and divestments in order to become the company it is today. Its vision to "help people feel close to what is important to them" these days means providing consumers with mobile multimedia solutions and networks. In 2007 it presented net sales of €51.1 billion, and an operating profit of €8.0 billion. (Nokia 2008)

4.1.2 History

Originally the company called Nokia was a paper mill started by Fredrik Idestam in 1865. In 1967 Nokia Corporation was formed when Nokia Ab, Finnish Rubber Works (started in 1898 by Arvid Wickström) and Finnish Cable Works (started in 1912 by Eduard Polón) formally merged. The companies already had overlapping ownerships in each other, and decided it was best to combine resources in order to increase export operations to countries other than the Soviet Union. (Bruun & Wallén 1999)

The electronics area of Nokia's business dates back to 1960, when Cable Works established its first electronics department, which sold and operated computers. At the same time, the division was mainly a small playground for students, engineers and

professors to freely work on inventions. Despite the costs, the division always had support from the CEO's and was kept functioning along with the main businesses of rubber, cable and paper. (Nokia 2008)

Nokia's path to mobile phones started with walkie-talkies in 1963. In 1979 Nokia and leading Finnish television maker Salora, which also was the one to develop superior technology for walkie-talkies, started the radiotelephone company Mobira Oy as a joint venture. This was followed by the first international mobile phone network (Nordic Mobile Telephone – NMT) being built. The development of the network was a joint decision among all the Nordic countries. The network was launched in Finland by making the first phone call on the network with a Mobira phone. Mobira Talkman, the first phone that could actually be carried around, was launched in 1984, followed in 1986 by the Cityman, a phone that in theory could fit into your pocket. (Bruun & Wallén 1999)

From then on, Nokia has been involved in building wireless networks all over the world. They not only built NMT networks, but other standards as well, such as ones used in the United States. In 2007 the networks business was separated from the parent company by forming a joint venture between Nokia and Siemens. It was named Nokia Siemens Networks and is consolidated by Nokia and headquartered in Finland. (Nokia 2008)

Jorma Ollila became president and CEO of Nokia in 1992. His achievement was to focus the company on telecommunications, divesting all other operations eventually. The same year Nokia launched its first GSM handset, starting a whole new era in mobile communications. In 1998 Nokia became the world leader in mobile phones. (Bruun & Wallén 1999)

The 21st century has seen Nokia introducing a new generation of mobile

communication, as well as entertainment and multimedia devices. Its competitors have increased from including not only other cell phone manufacturers, but also a whole new category of competitors in computers and software, such as Apple, Google and Microsoft. (Nokia 2008)

4.1.3 Company structure

Nokia's company structure has undergone several reformations, reflecting divestments and changing company focuses. The most recent restructure was done in 2008, the previous segments having been Mobile Phones, Multimedia, Enterprise Solutions and Nokia Siemens Networks. The current structure is pictured in illustration 1 below.

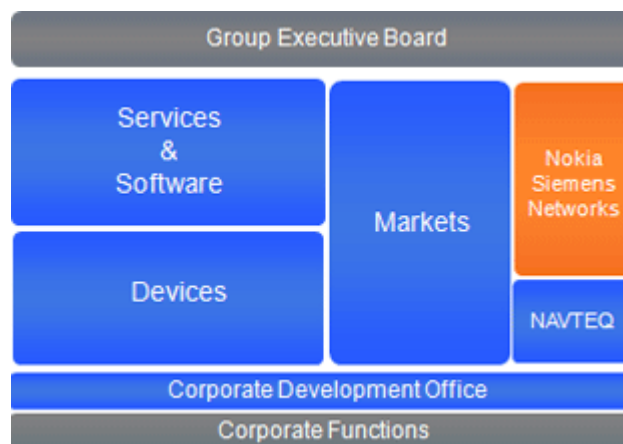


Illustration 1: Nokia company structure (Nokia 2008)

The responsibilities of the new business segments are as follows:

Devices: responsible for the company's device portfolio, including sourcing of components

Services & Software: develops consumer Internet services and enterprise solutions and software

Markets: responsible for the management of supply chains, sales channels, and brand & marketing activities.

Corporate Development Office: focuses on strategy and future growth, also providing operational support for integration across all the units.

Nokia Siemens Networks: a separate company, through which infrastructure and related services business are conducted.

NAVTEQ: provider of digital map data for navigation and mapping systems, and government and business solutions used for the Nokia Maps applications. (ibid.)

4.1.4 International operations

Nokia, Finnish Cable Works and Finnish Rubber Works all had international operations already before the three companies merged. When Finland was ordered to pay retributions to the Soviet Union after the Winter War in the 1940s, it opened the market to the East also for the era after the obligations had been met. The merger of the three companies was reasoned to facilitate growing exports also to the West, so as to not rely solely on a single market that could evaporate overnight (Bruun and Wallén 1999).

Televisions had a lot to do with making Nokia a known brand name in Europe. From 1984 to 1996 Nokia was the owner of several well-known television brands in Finland, Sweden, France and Germany. The television deals gave Nokia a network through which to market its computers also to consumers, but at the same time this billion-euro venture nearly drove Nokia to bankruptcy before all traces of television manufacturing were sold off in 1996. This was a major starting point for the company's international operations, as Nokia now had a name for itself in European households, since before this its products had been mostly for industrial sales. (ibid.)

Currently the company has production units in nine countries on four continents, a strong R&D presence in 10 countries, and production, sales, and marketing activities around the world. The headquarters is still in Finland, but half of the Group Executive Board is posted in the in New York. Nokia considers itself to be a global company, without any home market anymore. (Nokia 2008)

Nokia products are available to consumers in 350,000 points of sale all over the world. In 1998 Nokia surpassed McDonald's in global presence. In May 1999 Nokia had a presence in 130 countries and had sales offices in 45 countries, while McDonald's had a presence in 115 countries. The following charts describe the geographical distribution of first net sales, then volumes.

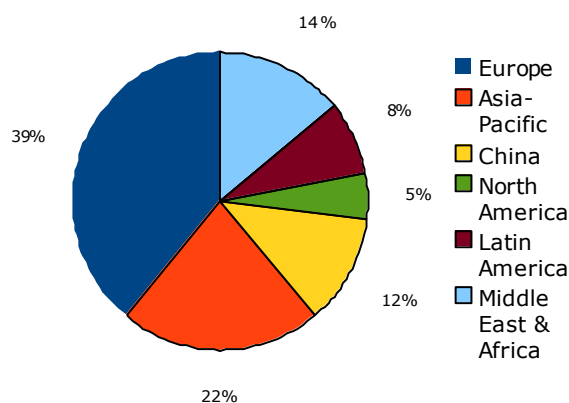


Illustration 3: Geographical distribution of net sales 2007

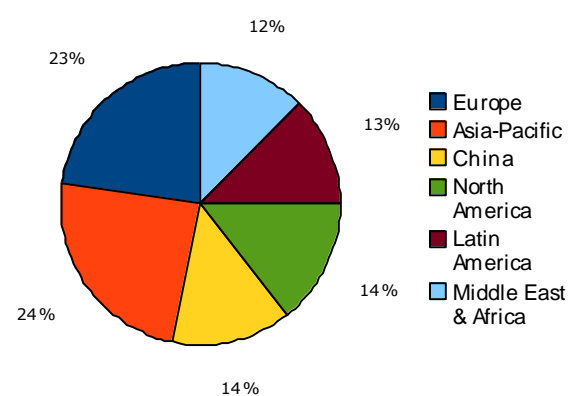


Illustration 3: Industry mobile device volumes by region 2008 Q2

Nokia's ten largest markets by net sales in 2007 were, in descending order of magnitude, China, India, Germany, the UK, the US, Russia, Spain, Italy, Indonesia and Brazil, together representing approximately 50% of total net sales in 2007. (Nokia, 2008) From the year 2006, India, Germany and the UK leaped over the US. In fact, the US has been a tough market for Nokia to tackle, as its market share there in 2007 was only below 15 %, compared to 55 % in India and 45 % in Europe (Lev-Ram, 2007).

4.1.5 Employee diversity

Nokia has diversity and inclusion embedded in its value system, and stated in the Nokia Way. This includes not only different nationalities or ethnicities, but also diversity in terms of skills, lifestyles, age, and perspectives.

On 31 December 2007 Nokia had 112,262 employees, including the staff of Nokia Siemens Networks. (Orbit 2008) In 2007 the number of nationalities represented in the employees was 115, actually having decreased from 2006, when the approximate figure was 120. About 28 % of employees and 54.6 % of top management are Finnish. (Nokia 2008)

Women accounted for 40.5 % of all employees in 2007, and held 14.3 % of senior management positions, both figures having grown from the previous year (being 34 and 12.5 respectively for 2006) (ibid.) Considering that the number of employees has nearly doubled in that time, it could be reasoned that the absolute number of female employees and senior managers has grown noticeably. However, only a few women have made it to the Group Executive Board. In April 2008, only one woman, Mary T. McDowell, was on that board.

The average age of employees is 33 years, and 5.1 % are over 50 years old. Nokia Siemens Networks employees are not included in this figure. (Nokia 2007)

4.2 Board of Directors

Nokia's board of directors is responsible for the election and dismissal of the company president, as well as creating long-term strategies for the company. The board is set to have a minimum of seven and a maximum of twelve members. The board of directors is elected at the annual general meeting for a term of one year. Table 1 below presents the current composition of the board elected on May 8, 2008.

2008

	Member	Birth Year	Age	Gender	National	Position	Education	Since in Board	Years in Board	Other key positions	Pos. in intl. comp.
1	Jorma Ollila	1950	58	M	Finnish	Chairman (1999)	M.Pol.Sc., M.Sc. (Econ.), M.Sc. (Eng.)	1995	13	8	4
2	Marjorie Scardino	1947	61	F	UK	Vice-chairman (2007)	B.A., J.D.	2001	7	2	2
3	Georg Ehrnrooth	1940	68	M	Finnish	Member	M.Sc. (Eng.)	2000	8	5	3
4	Lalita D. Gupte	1948	60	F	Indian	Member	B.A.(Econ.), MBA	2007	1	8	8
5	Bengt Holmström	1949	59	M	Finnish	Member	B.Sc., M.Sc., Ph.D.	1999	9	3	3
6	Henning Kagermann	1947	61	M	German	Member	Ph.D. (Theor. Phys.)	2007	1	5	5
7	Olli-Pekka Kallasvuo	1953	55	M	Finnish	Member, CEO	LL.M.	2007	1	2	2
8	Per Karlsson	1955	53	M	Swedish	Member	M.Sc.(Econ.)	2002	6	1	1
9	Risto Siilasmaa	1966	42	M	Finnish	Member	Engineering studies	2008	0	14	1
10	Keijo Suila	1945	63	M	Finnish	Member	M.Sc. (Econ.)	2006	2	2	6
Averages		58,0						4,8		5,0	3,5

Table 1 Nokia's Board of Directors as of May 2008

The next General Annual Meeting will be held on April 23, 2009. All the current board members are proposed to be re-elected, but also a new member is on the agenda to be added. Ms. Isabel Marey-Semper is a French woman, born in 1967, with a PhD in Neuro-Pharmacology and an MBA. She has a very diverse work experience from several fields, thus adding to board diversity in several ways.

4.2.1 Dependent/Independent Directors

Of the ten members of the board, only Olli-Pekka Kallasvuo is employed by Nokia. However, as Jorma Ollila served as the President and CEO until 2006, he is also considered dependent under the Finnish rules and regulations. Under the rules of the New York Stock Exchange, seven of the ten members can be considered independent. Bengt Holmström was deemed dependent due to a family relationship with a large supplier for Nokia.

4.2.2 Nationality

The board currently includes a fair amount of foreign members, having six Finns and four foreigners. However, the geographical spread is not very wide, as only one member is from outside Europe at this time. This certainly does not reflect the distribution of Nokia's sales, of which only 39 % come from Europe.

The first two foreign members, Paul J. Collins from the USA and Robert F.W. van Oordt from the Netherlands, joined the Nokia board in 1998. Since then six other foreigners have been members of the board. In terms of Nokia's internationalization process, 1998 was quite a late point to bring in foreign board members, since at the same time Nokia had already established itself as the world leader of mobile phones.

The Chairman of the Board has always been Finnish, but two different non-Finns have acted as vice chairmen since 2000. Table 2 shows the nationalities that have been represented on the board since 1998, the number of different people from those nationalities, as well as the number of times a member of a nationality has been elected to the board.

Nationality	Number of people	Number of board years
American	2	12
British	1	8
Dutch	1	6
French	1	1
German	1	2
Indian	1	2

Swedish	1	7
Finnish	12	61

Table 2 Members on the Board of Directors by nationality

4.2.3 Gender

The first female to join the board was Pirkko Alitalo in 1992. The number of women in the top management of Nokia seems to be increasing, but this trend is yet to be reflected in the Board of Directors. The number of female members is currently the highest it has ever been, but still a mere two. Only three different women have been members of the board, Marjorie Scardino, Lalita D. Gupte and Pirkko Alitalo, and their years on the board amount to 18 years altogether.

4.2.4 Age

The average age of the Nokia board of directors is 58. Most members are fairly evenly scattered around this age, except for Risto Siilasmaa, who is only 42. The age at which members have first joined the board ranges from 40 to over 60, not giving much of a guideline. The highest age reached while on the board was 70, and several members have been over the “normal” retirement age in Finland.

The group is quite heterogeneous in terms of board age. The number of years sat on the board ranges from 0 to 13, bringing the average to 4.8 years. The average is slightly lower than in the past few years, but higher than the first years of the 21st century, when the average fluctuated between 2.8 and 3.4. Most years have seen a new board member brought in, keeping the average low despite the seasoned members that have been on the board for years.

4.2.5 Cognitive Diversity

The educational background of the members of the board of Directors is quite evenly divided among Engineering, Business and Law. Most of the members hold more than one degree. All the members have at least Master's Degrees, except for Risto Siilasmaa who only holds Engineering studies, but no degree. Two of the members have Ph.D.s

As for professional experience, all the members hold key positions in other companies, and have experience from international companies. It is likely, that if their professional backgrounds would be examined in more detail, there would be similarities as well. However, for the purposes of this study, it is important to know if their experiences differ, and how this affects the company.

4.3 Group Executive Board

The role of the Group Executive Board is to manage the operations of Nokia. Officially the Board of Directors appoints the members, but in practice the decision is the Chairman's, namely Olli-Pekka Kallasvuo at the moment. Currently the model is that two members from each of the units – Markets, Services and Devices – sit on the Group Executive Board. Robert Andersson and Timo Ihamuotila do not actually report to Kallasvuo, but are included due to their expertise and potential. Thus the nomination is more about the decision to appoint the member rather than hierarchy. Team dynamics are more important, when the aim is to get the best output from the team. The current members are listed in table 3.

2009									
	Member	Birth Year	Age	Gender	Nationl.	Position	Education	Since in Board	Years in Board
1	Olli-Pekka Kallasvuo	1953	56	M	Finnish	President and CEO of Nokia	LL.M.	1990	19
2	Esko Aho	1954	55	M	Finnish	Executive Vice President, Corporate Relations and Responsibility	M.Sc. (Social Sciences)	2008	1
3	Robert Andersson	1960	49	M	Finnish	Executive Vice President, Devices Finance, Strategic Sourcing	M.Sc. (Econ. And BA), MBA	2005	4
4	Simon Beresford-Wylie	1958	51	M	UK-Australian	CEO, Nokia Siemens Networks	B.A (Econ. Geography and History)	2005	4
5	Timo Ihamuotila	1966	43	M	Finnish	Executive Vice President, Sales	M.Sc. (Econ.), L.Sc. (Finance)	2007	2
6	Mary T. McDowell	1964	45	F	US	Executive Vice President, Corporate Development Office	B.Sc. (Comp. Science)	2004	5
7	Hallstein Moerk	1953	56	M	Norwegian	Executive Vice President, Human Resources	Diplomøkonom (Econ.)	2004	5
8	Tero Ojanperä	1966	43	M	Finnish	Executive Vice President, Entertainment & Communities	M.Sc. (Eng.), Ph.D. (Technology)	2005	4
9	Niklas Savander	1962	47	M	Finnish	Executive Vice President, Software and Services	M.Sc. (Eng.), M.Sc. (Econ. And BA)	2006	3
10	Richard A. Simonson	1958	51	M	US	Executive Vice President, CFO	B.Sc. (Mining Eng.), MBA (Finance)	2004	5
11	Anssi Vanjoki	1956	53	M	Finnish	Executive Vice President, Markets	M.Sc. (Econ.)	1998	11
12	Kai Öistämö	1964	45	M	Finnish	Executive Vice President, Devices	M.Sc. (Eng.), Doctor of Technology	2006	3
	Averages		49,5						5,5

Table 3 Nokia's Group Executive Board, April 2009

4.3.1 Nationality

Eight out of twelve members of the Group Executive Board are Finnish. The other nationalities represented are the American, Norwegian and UK-Australian (Simon Beresford-Wylie was born in the United Kingdom, but holds both passports). The first three foreigners – Mary T. McDowell, Hallstein Moerk and Rick Simonson – entered the Board in 2004, followed by Simon Beresford-Wylie in 2005. All had held Senior Vice President positions at Nokia for some years before joining the Group Executive Board, except for Ms. McDowell, who joined the Board straight from Hewlett-Packard. Language-wise the Board's foreign members present the English-speaking world and Norwegian.

4.3.2 Gender

The Group Executive Board has ever had only two female members, and currently there

is only one, Mary McDowell. Sari Baldauf was the first woman on the board, serving from 1994 to 2004. In numeric terms, 8.3 % of the Board is women, while on the whole 14.3 % of senior management is female, so the figure is slightly smaller at this level, but not by much.

4.3.3 Age

The average age of the Group Executive Board is just below 50 years. This figure has slowly risen from the starting year of the study, 1995, when the average age was 46.4. For some years now it has hovered close to 50, and passing it in 2002 and 2003. This can be explained by the fact that the composition of the Board remained quite consistent during these years, but in the following years several members left the Board and were then replaced.

4.3.4 Cognitive Diversity

Several of the Executives have more than one degree. It would seem, though, that Engineering degrees outnumber the rest. These are followed by Business degrees. However, also degrees in Social Sciences, Economic Geography and History, and Law can be found. The level of the degrees range from Bachelor's to Ph.D.s. More information on the other forms of cognitive diversity is included in the interview results, as it is not relevant to this study to analyze it as such.

4.4 The interviewees

In the following section the interviewed members of the Nokia Board of Directors will be presented in more detail.

4.4.1 Jorma Ollila, Chairman of the Board

Ollila's path to Nokia started from working as a banker at CitiBank, whose main responsibility was analyzing Nokia's state of affairs. His first job at Nokia in 1985 was

developing international strategies for the company. From there he was promoted to Senior Vice President of Finance, and then President of Nokia Mobile Phones. He became President and CEO of Nokia in 1992.

Ollila was asked to become Chairman of the Board of Directors in 1999. One reason for this was that the owners wanted to tie Ollila to the company more (Bruun and Wallén, 1999). He had already been a member of the Board of Directors since 1995. He was also a member of the Group Executive Board from 1992 to 2006. In 2006 Ollila started as the Chairman of the Board of Royal Dutch Shell Plc. in the Netherlands. He also holds positions on six other boards.

Ollila holds three academic degrees. He first got his Master of Science in Engineering from the Helsinki University of Technology, then a Master of Political Science from the University of Helsinki, and finally a Master of Science in Economics from London School of Economics. As for international experience, Ollila got quite an early start. He attended Atlantic College in Wales for a baccalaureate degree. Also after completing his degree in London, he stayed in England for some years to work for CitiBank. Other than the time living in Great Britain, his time spent in student politics at the University of Helsinki and as the head of Nokia have taken him around the world. Also board positions in international companies can be taken into account.

4.4.2 Olli-Pekka Kallasvuo, CEO

Kallasvuo started at Nokia in 1980 as Corporate Counsel, and in the 1980s also acted as Assistant Vice President, Legal Department as well as Assistant Vice President, Finance. The 1990s saw him as Senior Vice President, Finance, Executive Vice President and Chief Financial Officer, and Corporate Executive Vice President, Nokia Americas. Before becoming President and CEO of Nokia in 2006, he still acted as Executive Vice President and General Manager of Mobile Phones as well as President and COO.

Kallasvuo has been on the Board of Directors from 2007. He was also a member on the Group Executive Board since 1990, and became the chairman of that board in 2006. He holds two other board positions; he is the chairman of the board of directors of Nokia Siemens Networks, and a member of the board of an American technology company, EMC Corp.

Kallasvuo has a Master of Laws degree from the University of Helsinki. Before coming to Nokia he worked for some years at the Union Bank of Finland, among other things as a lawyer. He gained international experience from acting as the Corporate Executive Vice President of Nokia Americas. He worked in Dallas from 1997 to 1998 and was responsible for operations in the Americas.

4.4.3 Richard A. Simonson

Simonson joined Nokia in 2001, and has been a member of the Group Executive Board since 2004. He has been Executive Vice President and Chief Financial Officer since 2004, before which his post at Nokia was Vice President and Head of Customer Finance. He came to Nokia from being the Managing Director of Telecom and Media Group of Barclays in 2001, and before that was the Head of Global Project Finance and other various positions at Bank of America Securities 1985-2001.

Simonson is also a member of the Board of Directors of Nokia Siemens Networks B.V and of Electronic Arts, Inc. (an entertainment software company), a Member of the Board of Trustees of International House – New York (a residential community), and a Member of the US Treasury Advisory committee on the Auditing Profession.

He holds a B.Sc. (Mining Eng.) from the Colorado School of Mines, and a MBA (Finance) from Wharton School of Business at University of Pennsylvania.

4.4.4 Adam Travis

Travis started in his post as Director of Diversity and Inclusion in 2008. Before that he worked as a Global Change Manager for a global TNT Express SAP implementation, Diversity & Inclusion Manager in TNT Group Human Resources, and as Vice President and Talent Manager at ABN Amro Bank in the group's HR department. He holds a degree from Swineburne University of Technology in Australia. He is originally Australian, but has been based in the Netherlands for years. Also at Nokia, he will be mainly based in Amsterdam after an introductory phase in the Head Office in Helsinki.

4.4.5 Eddy Hall-Gooden

Hall-Gooden has been with Nokia from 1999, working first with diversity and compliance in Human Resources Development (HRD) in North America, then moving to Global HRD in Finland. Currently her post is Senior Manager, Global Resourcing/Recruitment and Diversity in Finland.

4.5 Internationalization

The following information has been derived from the interviews conducted. As the number of people interviewed was small, the specific sources have not been quoted in order to retain anonymity. If needed, the interviewees have been categorized into groups with two or more people, such as "Member of the Board of Directors" or "Member of the Group Executive Board" or "Finnish/Foreign interviewee". The terms international and internationalization as such were questioned, while global and globalization were preferred because "[internationalization] indicates that you have a home market from which to internationalize from. We prefer to think that the world is our home market and that's the way we function". For the purposes of this case, though, the terms are used interchangeably.

4.5.1 Motivation

Jorma Ollila started the process for internationalizing the Board of Directors when he

became the CEO of Nokia in the 1992. Two main reasons were identified for the process starting in this era. The first one is that up to that point Nokia's operations had mainly been in Finland, Scandinavia, Russia, and in Europe only to a small extent. Then in the 1990s Finland's role for Nokia changed to being the location for the headquarters and for product development, while "the business" was elsewhere. Thus insights were required into foreign markets, more than what a homogenous Finnish Board of Directors could provide. The second reason was that ultimately the talent pool in Finland is quite limited with such a small population, and thus increasing recruitment practices enlarges the pool drastically. Especially the amount of qualified candidates in Finland for Board positions was viewed extremely small.

The Group Executive Board was also internationalized for the same reason – attracting top talent. The objective was more to enhance diversity, rather than internationalization as such. However, both diversity and internationalization are still key drivers in forming the Group Executive Board. "If you want top talent from the world, you have to target the search at the world, not a specific geographical area."

Although Nokia's ownership is very similar to any American company, the amount of foreign owners has not affected the decisions to internationalize the board, at least in the way that the nomination committee would have been told to include more foreigners. To a small extent having foreigners on the Board of Directors also helps to tap into what international shareholders think and want from the company, but it was not considered to be a major driver. Another effect of having geographically diverse shareholders is that it makes discussion about Board members more open, whereas with a strong Finnish ownership they might be more inclined to opt for more Finnish leadership. This was suspected to be the case with Ericsson in Sweden, which has very strong Swedish shareholders. Also the international customer base was also a driver in introducing the diversity program. With a broad and diverse customer base, the company wanted to also reflect that in the company.

Having people with knowledge about running an international company is important for successful board work. They know through experience the problems that can arise and how to operate in an international environment. As there are only a few large international companies in Finland, it is obvious also in this sense to bring in people from outside the country. “A good Board member knows how the company who’s Board they are on is run, or otherwise it comes to pedantry and paying attention to too many details, it’s like managing and not governing anymore.” Also experience from and understanding of international financial markets, stock exchanges, and global mechanisms is important. This sort of experience is only now, or in the past decade, increasing among Finns.

Another reason for internationalizing the Board of Directors was the feeling that in general Finnish boards are not very functional, and Finnish traditions in board work are found quite nonexistent. This is an area, which has only recently been paid attention to, although the term corporate governance was given quite a negative note.

The “signal effect” of having a diverse top management was acknowledged in all interviews. The fact that foreign employees have the same advancement opportunities as home country citizens is vital in retaining top talent, and also important for eliminating any suspicions of preferential treatment. Although the grassroots employee population may not be aware of who is on the board of directors, “I think, for those who know, I think it would make a difference, I think it would reflect walking the talk”. This was considered the case especially for the senior leadership, which is more visible to the workforce.

One final reason for paying attention to internationalization and diversity in general is creativity and innovation. As an interviewee stated, “There’s just too much innovation happening around the world, and if we don’t somehow have a system, an organizational system that brings those people into the company, or partners to bring that innovation in,

then over time we would become less competitive, or our financial performance would go down.”

4.5.2 Goals

As stated above, the main objective for internationalizing the top management was to gain knowledge about the markets the company operates in. Above all, though, a good Board of Directors needs to “have experience, a vision, the ability to intervene at the right time so that it enhances the company’s success. Period. That is the definition of a good Board of Directors, I think.”

Besides the market knowledge that the Board members bring, having as many international passports as possible is not the main objective anymore. Once the line for including foreigners has been crossed, it is more about having the best talent in the group. The question of whether a Finn with international experience can replace a foreigner is debated among the interviewees. The general opinion is, though, that it mainly depends on the individual. A Finn that has lived in several countries may have a broader view than someone from another country, if they’ve only lived in that single country. Thus you cannot say that bringing in an Asian Board member would instantly bring in knowledge about the whole of Asia – it is more likely that they mainly have in-depth knowledge only about their own home market.

The Board of Directors was not only internationalized, but at the same time other forms of diversity were specifically sought. This means mainly professional diversity, gender diversity, geographic diversity and age diversity. In fact, having only a different passport does not necessarily increase diversity in a useful sense. However, even a Caucasian middle-aged male is still thought by some to bring diversity if they are from a different culture. It seems that in some cases there is still a strong emphasis on this point, that simply by bringing in people with different passports, you enhance diversity.

There is strong belief that diversity will bring financial success, but it cannot be measured directly through return on capital or such, based on how many foreign passports people in management hold. There is a certainty among the interviewees that without diversity the company could not succeed. Some of these reasons include not being able to attract and retain the best talent in the company, which would affect the company's result. "I'm absolutely convinced that you have to have that diversity of talent because there is talent out there everywhere in the world and we have to be attractive to that, and if we don't, over time we would lose our competitiveness." Another reason is innovation, which was discussed under motivations for internationalizing. Also the company image in the eyes of the consumers as well as the shareholders is important.

4.5.3 The Process

Recruiting Board members needs to be an ongoing process. It starts with defining the size of the Board of Directors, and also the average time a member serves on the Board. Finding a good Board member often takes about two years, starting from the first conversation. Most often the Chairman of the Board discusses with the nomination committee who should be contacted and how, what kinds of preferences they have, and what is the recruitment schedule. Depending on who and what area is searched for, a headhunter may also be used, but only as a fallback, if the Board cannot manage the search itself. "You have to be able to take care of these [recruitments] yourself, if you want to manage a company and a Board of Directors, you have to be able to recruit by yourself too."

As for the Board of Directors, the first foreign members, Paul J. Collins and Robert F.W. Van Oordt, were elected in 1998. Marjorie Scardino and Bengt Holmström were elected in 2001 and Per Karlsson in 2003, followed by further members in the later years. Around 2001 the Board really started to feel competitive globally on fronts such as know-how and composition, as well as its level of internationalization.

The senior management below the Board of Directors was internationalized at least ten years before the Board of Directors. The Group Executive Board got its first two foreign members already in 1990, but the Italian Vittorio Levi left the Board in 1991, followed by the French Jacques Noels in 1992. According to a board member, at that time the management was in fact more international than now. After this period, several years passed before the next three foreigners were appointed to the board in 2004. However, the first foreign senior manager in the mobile phone era was Hallstein Moerk, who was appointed Head of HR in 1999 (Anttila 1999).

On general advancement possibilities within the company, everyone is responsible for their development. Although the concept of a career path has become less relevant within the company, employees are expected to recognize what is important to their advancement and let it be known to their managers. “So that starts earlier on, so that by the time you’re looking to be VP or what have you, you will have these core competencies (such as fluency in English) because these things are important for senior, but it’s important for along the way, it’s important early in the game.” From the company’s point of view the main issue is “creating the opportunities that are available and having a supportive management team to enable that and allowing the individual to derive this from the development, so career development and ensuring from the diversity perspective that we don’t put ceilings along the way.” Another interviewee said: “We couldn’t keep our non-Finnish talent, if they didn’t believe, based on their own experience, that they have just the same opportunities as anyone else.”

When recruiting people from the outside, earlier efforts were made to place emphasis on specific characteristics based on awareness brought on by diversity reports. Topics that were mentioned were women in leadership, local leadership, as well as industry backgrounds. For instance at a point in time all the recruits were taken from the telecommunications industry, which then had to be changed in order to become more customer focused. This led to a shift to recruit from for instance fast-moving consumer goods and electronics industries.

At the moment, though, these types of targets are not in use. “The only time I’d ever talk about targets would be via a management process, never expressed.” Instead, recently, the aim has moved from recruiting visible diversity to behavioral interviewing, where the goal is to ensure that the recruits have an “intercultural IQ” – having an intercultural context, which will help them with their career at Nokia. However, this is difficult to establish. “The challenge is that quite often we want to do this by tick-box exercise, give them a little tool and tick whether they’re diverse and inclusive and intercultural and individual.... It’s about educating the recruiters and the resourcing team and management in these skills and helping them with the tool and then creating an atmosphere of knowing what to look for.”

4.5.4 Difficulties in Internationalization and Diversification

One difficulty for internationalizing the top management has been getting international managers to relocate to Finland. This has meant spreading globally responsible people to London, the United States, China, and even India. Often four to five years is the maximum time for the managers to stay in Finland, if they ever come. This can be attributed to the limited opportunities offered for families in a small country – “metropolises such as London and New York offer families, spouses, better opportunities to work. And better schools and universities”. Nonetheless, no plans have been made to move the headquarters elsewhere. Adjustments have been made to distribute operations globally, and ultimately the headquarters could be considered virtual, giving little importance to the physical location of the headquarters.

The composition of the top management does not yet completely reflect Nokia’s global operations, because Asian talent is lacking in this group. This was named one of the main challenges of globalizing the top management, as well as the largest gap at the moment in terms of diversity. It is important not because it would bring more diversity, but rather to enhance perspectives from that market area and to get a deeper understanding of the habits in a market that is gaining importance to the company.

When diversity was first introduced in the company, it was often thought to mean international diversity. This brought along the feeling among the staff, that in fact not being Finnish would enhance someone's career. This feeling has, according to the interviewees, mostly been eliminated through the diversity and inclusion program, where it has been stressed that diversity is not only about different ethnicities and cultures, but all the differences between people "Anything that made us an individual, unique."

Another issue that has to be addressed at Nokia is the strong company culture and value system in place in the company. The challenge was put forth as such: "We invite and we want diversity and we want to leverage it, as long as it's not against the culture or the values." The feeling is that as you get to the more senior levels, the strong culture becomes almost like a club, and although the culture is open to diversity, "the question is that how strong is that culture for the openness". As another interviewee said about the issue "It also is in some ways part of its failure and part of its success in a way it you're so attuned to values, the danger is if you come in to the organization and you're told 'but that's not the way we do it at Nokia', that creates truly a strong culture."

As is often the case, it is simple to create values and goals for diversity, but the difficulty is implementing it. "The challenge is what happens when you don't see values being lived, and what do you do about them. Because if you do a lot of work on your aspirations and where we need to be, how do we reward behavior which is good, and how do.... you minimize the negative behavior." Also a difficulty in this is making sure that everybody understands what is wanted from him or her. At Nokia, for instance inclusion was demonstrated by actually giving managers examples of inclusive behavior.

4.5.5 Success of Internationalization and Diversification

Depending on whom you ask, the internationalization process is either fulfilled and now

the focus is on promoting other kinds of diversity, or there is still work to be done. Either way, the result in the end should be forgetting diversity for its own sake and simply considering managing the talent of the whole workforce. The other option signifies that there are still too many Finns at the very top, and that needs to be fixed. A board member was asked his opinion on whether the CEO or the Chairman of the Board could be a foreigner, and his opinion was that there would be no restrictions to this, and that the company is past that phase. In other words “Of course [there could be a foreign CEO]. Why wouldn’t it be possible? There is no barrier to this, what could be the barrier?” He continued, that it would be very difficult to retain the top talent, if they did not see equal advancement opportunities.

While the Board of Directors is not thought to give an image of the company in any way, the Group Executive Board is viewed to be a reflection of what the management is like in general. The main reason for having an international top management is that the search criteria are not limited to geography. The group of the top 150 managers at Nokia has internationalized significantly only recently – there has been a break just in the past two years, when the number of Finnish managers has dropped considerably. This was noted to be due to the change in business focus, when know-how of Internet services had to be introduced in the company through new employees as well as company acquisitions.

Although diversity was agreed to be important, especially diverse experiences, one aspect needs to be shared, and that is values. In order to have a well-functioning group or organization, that is something that needs to be paid careful attention to. An important role of the top management is passing on the values to the future leaders in the company.

All the interviewees have experience from working abroad. This is not seen very different from working in Finland, if they still work at Nokia. This is due to operating in such a global environment, and also because their posts require spending so much time

abroad anyway, and thus it does not make much of a difference where they are actually based. “You could say that my office could be anywhere in the world. I come to work here, if I’m in Helsinki, but I don’t have many links to Finland in a business sense.”

Nokia’s success in implementing this global status and being ten years ahead of many companies in this aspect was noted to be due to several reasons. One was the fact that Nokia’s home market’s significance is minimal in relation to the whole market. The second reason is that the ownership-base is identical to any American company. The third aspect mentioned was that at Nokia there is a clear vision that diversity is a positive thing, and it is something that has been forcibly driven in the company on all levels.

4.5.6 Board Work

Having the Group Executive Board divided between Finland and the United States has the potential to cause difficulties in communication. However at this stage of internationalization, this is not seen as a problem, as the whole management team is extremely mobile. They convene once a month, most often physically, and occasionally through videoconferencing. The rest of the time the team travels all over the world. An Executive Board member states: “In practice, the difference is minimal compared to having everyone in the same location.” The success of this model is attributed to sharing the same values, which has built a strong trust between the members that each member will fulfill promises and deliver what’s necessary. Also important in this is having strong people that can make decisions on their own, without someone sitting next to them all the time. Not having for instance the CEO and CFO sitting right next to each other is a solution that is not implemented in many, if any, companies, but functions at Nokia.

Whether having an international Board of Directors eases work with the Group Executive Board is considered a fairly irrelevant question, as there is little interaction between them besides through the CEO, who is a member of both groups. From the

interviewees who had Board memberships in other companies as well, the dynamics of board work were found quite similar, even if the compositions in other boards varied and were not necessarily as diverse. This means discussing the same things, working in similar ways, and having similar conversation dynamics. Being a foreigner on a board was not thought to differ from being a citizen of the home country, at Nokia or the other companies the interviewees had links to.

As specific areas of knowledge have been sought for the board, members also have their own expertise and roles on the board. This is an aspect more related to cognitive diversity than internationalization, but nonetheless has a positive effect on board work. “Of course everyone approaches the same subject, but clearly if you come from technology, you’ll understand a lot more about it than the other board members, and you’ll get that role naturally, that you pay more attention to those things. That’s the strength of diversity. Not everyone can be for instance a software expert. I think a good board needs generalists as well as experts.”

The Board of Directors consists mainly of independent directors. Only Olli-Pekka Kallasvuo is employed by Nokia at this time, although Jorma Ollila and Bengt Holmström are also categorized as being dependent, as was discussed earlier. At the Annual General meeting in 2009, two shareholders protested the election of the President and CEO onto the Board of Directors as being against good corporate governance. (Nokia 2009) However, the Finnish Code of Conduct allows the membership of the President on the board, and no vote was requested at that time. On the board, the presence of the CEO is not questioned. “There’s something wrong if the CEO is not allowed to be present [on the Board of Directors]. I think the symbolism is that the CEO has to be a member of the board because, you could say, they’re in the same boat. There’s an interaction, and there’s the supervisory, the supporting role, the Board of Directors versus the executives. [He’s] not treated as separate, it’s the group, the team.”

4.5.7 Other Forms of Diversity

Although the main focus of this study is internationalization, and the effect of foreign members on the board, the subject of diversity was discussed in general with the interviewees. Diversity in itself was considered as given and embedded in the firm, with the largest benefit being that it leads to more innovation and better ways of working. The different forms of diversity that were mentioned during the interviews will be discussed in the following.

Defining Diversity

All the interviewees had the same vision of diversity. This included the obvious forms of diversity that you can mostly see on the outside, such as nationality, ethnicity and gender. However, actually more importance was placed on the more subtle forms of diversity, such as experiences, professional diversity, educational diversity, and the term “ways of working”, which has recently become a focal point in the company. Integrating diversity should not just be a “tick-box exercise”, but instead the focus should be on for instance board members challenging each other “for ways of working, different perspectives and different journeys. If they do that, I don’t care if they’re all Finnish, as long as they truly, from an inclusion point of view and from a diversity point of view, and different ways of thinking create the needs and then happen to be in Finland, then great.”

Gender

According to the members of the Board of Directors, gender does not make a difference when selecting new members, although it may have had an effect in 1992 when the first female entered the Board of Directors. This was a time when the Finnish government had a campaign to increase female board memberships in Finnish companies (Inkeroinen 2008). However, at the same time the interviewees admit that attention has to be paid to making sure that there are also female members. They are difficult to find, though, since if a female member is sought, one has to specify that they want women candidates, as they often do not come up in databases. Special attention has been given to the inclusion of women in the top management for a longer time already, as this is

seen as a more important layer to have equal opportunities in – the CEOs and the two layers below them. If there are problems in getting to this level, those have to be dealt with.

Gender equality in general is likely to be a topic at Nokia increasingly in the future due to the rising interest in this area from the European Commission. This was also a hot topic some years ago, when there was more discussion about glass ceilings. It was a part of the diversity program at Nokia which was started in the early 21st century, but which was forgotten for some years before bringing it out again about two years ago. Now, again, gender is one of the key forms of diversity, along with different nationalities.

Language

English was introduced as the working language of the Board of Directors at the same time as the first foreign members joined the Board in 1998. Before that it was even unclear if Finnish Law allowed for the minutes to be kept in languages other than Finnish or Swedish. Other documents, however, were already done in English, as the company language has been English since before that already. “[Speaking English] has always been the most natural thing in the world here.” All the interviewees, both Finnish and foreign, agree that career advancement at Nokia does not require speaking Finnish. Finnish is of course used among the Finns in the hallways, but “Language is not an issue. It can’t be. If it is, it’s that person’s problem for whom it is an issue.”

Not speaking Finnish was not felt to have hindered the interviewees’ career path at Nokia. They did feel that they would benefit from speaking Finnish, other than strictly on the personal side. “It would be enriching to have a command of Finnish, but it’s not necessary.” The Finns at Nokia were praised for having the courtesy of speaking English when in the company of foreigners who do not speak Finnish, even without asking.

There is, however, the flipside. As a global company, not speaking English adequately

may leave an otherwise qualified employee without advancement possibilities, as English is the working language. The employees are expected to identify the factors that are important for their career advancement, and are responsible for developing them by themselves as well. Language skills are one of these factors. So far, Nokia has not offered English language training within the company. Thus not speaking English may enable a person to reach a certain level, but not the very top. “I think within the region’s there’s a lot of local management that’s promoted and become senior management within a region. And that would of course be related to language. Less so than what I’ve seen with very senior levels of management here within.” It was admitted, that it is likely that those that already have the needed language skills are more likely to advance in the company, “not by design but by default”.

Cognitive Diversity

The form of diversity that was found to have the most impact on board work was cognitive diversity. This includes different educational backgrounds, work experience, and other experiences the members can bring to the boardroom. An interviewee said: “Very important is professional diversity. It’s very important, it’s different experiences, different education... Lack of diversity usually leads to the not-invented-here phenomenon. Which is dangerous. Almost directly.”

Also the members’ networks and contacts are considered an important aspect to take into consideration, especially on the Board of Directors. There the members come from different fields, and thus have a variety of networks. On the Group Executive Board this is not such an issue, as everyone comes from more or less the same industry, and thus basically have the same contacts in the industry.

Ways of working was a subject area that was brought up in the interviews as a form of diversity. In each structural reorganization this has emerged as a topic within the company, and has brought about new ways of working. The newest ways of working are still being revised, but the main interest for this topic is the way it enhances diversity in

career advancement, and also helps inclusion in the work place. A specific focus on achieving this is having a pool of talent, where each member is considered for a project, and the one with the most suitable experience and know-how is chosen. This differs from the previous model, where the supervisor was the one who largely determined the advancement opportunities of an employee, and this relationship also had the potential to impede advancement. In the future, this way of working should result in more diversity also in the top management, as everyone has equal opportunities to be promoted based on their merits, not on who they know.

4.5.8 *What Makes Nokia Special?*

“There is something that makes Nokia special and this is what makes us so proud to be here” All the interviewees see Nokia as something quite different from other companies. They all have job experience from other firms as well, so they do have a base to compare to.

One explanation for what sets the company apart, is that it went through a great breach at the beginning of the 1990s, divesting other business areas, going through a crisis, and having the old management leave the company. Thus with a new management team the company “shed its skin” and became practically a new firm, despite having such old roots. This also made internationalizing the company quite natural, as well as introducing English as the working language. The language issue also came naturally due to the young generation of engineers working in the company.

A key to successfully integrate diversity in the company is to not get linked to one culture. Nokia does not consider itself to be Finnish, or even European. Some traits of Finnish culture can be identified in the company culture, though. This includes “pioneer spirit, a certain kind of straightforwardness, can do –attitude, and a lot of flexibility, to adapt, which is often typical to a small nation”. Especially the adaptability eases a global culture, as there is no pushing of the home culture into functions in other countries. Also a certain egalitarian air is most likely a result of the Finnish roots. This

has made it possible to enhance diversity in the company, but on the other hand it also makes it difficult to approach the subject, as there is a feeling that for instance gender issues are not a problem in the Nordics.

As Nokia keeps going under reorganizations every few years, the climate is of constant change. This may create some fatigue, but as it is a part of the company culture, it is what is expected. “There’s a common understanding why we change, that it’s linked to the strategy, people recognize that it’s necessary”. Also noted was that “As companies we need to adapt to change and let’s try to develop the behaviors along the way.”

4.5.9 Talent Management

More important than internationalization or diversification is managing the talent at Nokia, and ensuring that they recruit and retain the best talent. For this, quotas of any kind do not work; instead the people need to feel that they can achieve their goals with their own merits. The only positive result seen with quotas was the fact that with it firms are forced to introduce diversity, and see the benefits for themselves. However, it is still better when prospective employees feel that they are working with smart people, and that the best can make it.

Diversity management was thought to be under the talent management agenda, especially in the planning process. In fact, the most recent Director of Diversity and Inclusion has a strong background in talent management from his prior posts. This is a natural outcome of the fact that attracting the best talent was the initial objective of internationalizing the top management.

Another focus of talent management that was mentioned was talent sharing, which ultimately leads to diversity in different regions of the company. Of course this is only possible once the company has enough nationalities and operations in enough regions to be able to promote this. There is a high cost in moving employees around the world, but

ultimately it would be for the good of the company in terms of especially geographical diversity, as well as the experiences it would bring to the employees that could be shared further within the company. Providing this opportunity for employees would also ease retaining the talent. The other difficulty of talent sharing is determining if talent is the property of a certain region, or of the corporation. From the top this may seem like a simple task, but one has to take into account the view of the region as well – the head office cannot always make the decision to pull out talent and move it to another region, leaving a gap in the original region.

5 ANALYSIS AND DISCUSSION

Looking at the figures, it seems clear that Nokia has reached a level of diversity on all levels of the organization. The following section considers first how Nokia compares to the theoretical frameworks introduced in chapter 2, after which the interview results are discussed in more detail.

5.1 Revised Theoretical Framework

This study has brought together several theories dealing with diversity and internationalization. They cannot be combined as such into one theory that could be applied to Nokia, but they are linked to each other in explaining motivations for internationalizing top management and also in describing the process. Figure 4 below shows the main topics examined in this case study, and their relationship to each other.

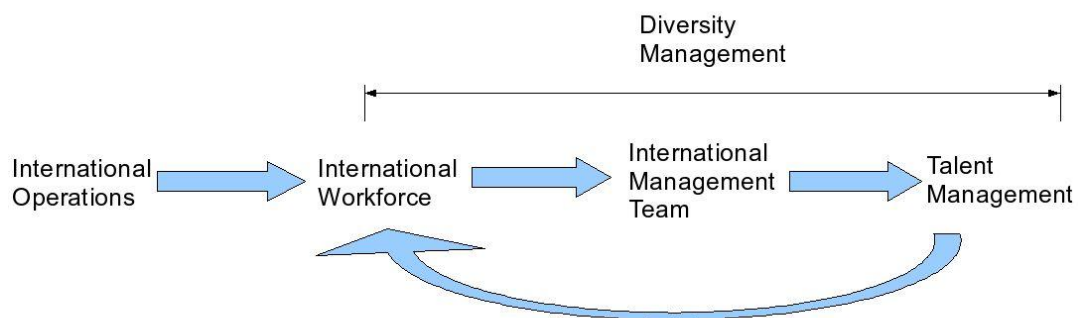


Figure 4 The link between internationalization, diversity management and talent management

5.1.1 Perlmutter's Management Attitudes

Nokia has gone through the traditional management attitudes, starting with

ethnocentrism, then going through a phase of polycentrism, before the current mixture of regiocentrism and geocentrism.

As is the case with most companies, Nokia's attitude towards internationalization was ethnocentric to start with, when it started by sending out expatriates to its international acquisitions starting from the 1980s. It has certainly moved on from this attitude, though. An interviewee stated that in the past 10 years, out of many focuses, Nokia also had a period when a strong focus was on local management, which could be considered a polycentric phase. Meanwhile, since the 1990s, it seems as though the management has had a geocentric mindset, but its effect on management processes is still under work. In the case of the English-speaking world the doors are open also to the headquarters, but for other regions the term regiocentric seems more suitable. As was discussed in the interviews, there is a strong will to internationalize the top management, but this has only extended mostly to the English-speaking regions. When asked to name a member of senior management whose native language is not English and that has advanced outside the regions, only one name came up.

5.1.2 Lahti's Multicultural Development Model

When comparing Nokia's diversity focuses to Lahti's (2008) suggestion of the evolution of diversity management, we can see similarities. Figure 5 shows Lahti's model completed with Nokia's focuses from the time periods. As gender issues were not discussed to a large extent in the interviews, the time period for that focal point is difficult to pinpoint. However, we do know that the first woman entered the Board of Directors in 1992, and the Group Executive Board in 1995, thus making gender issues in the very top management quite late in light of these trends. Also, gender equality was forecasted to yet become an issue in the future, thus taking it very much out of the noted era. In the other contexts, though, Nokia's focuses can be matched to the general focal points, as it has gone from collecting a diverse staff, on to utilizing differences and embracing multiculturalism, and now focusing on inclusion and talent management.



Figure 5 Trends in Nokia's diversity management (adapted from Lahti 2008, 30)

5.1.3 Other Theories

Whether the impact of diversity can be directly measured by financial means, such as Hubbard's Diversity ROA model, seems irrelevant in Nokia's case. As the diversity program was initiated by the top management, the management does not need to be convinced to implement a program – the benefits already seem clear to the ones involved. However, if lower management needed to be persuaded to make an effort in this area, the model could be useful.

As for valuing diversity, Nokia could tick all the boxes for a Sunday Brunch. However, this is only the first step towards diversity, which Nokia has already taken. From this, the focus has moved on to introducing inclusion, as well as the new area of talent management.

5.2 Discussion

5.2.1 Motivation

The reasons for internationalizing the top management are quite rationally portrayed. Nokia's internationalization also fits in line with the other companies studied by Gregoric et al. (2009), which could indicate that it was also somewhat of a trend at the

time for firms to start opening up their top management spots to international executives. The change in business focus also gave a natural opening to start making changes in the top management. This has happened rather quickly, though, in comparison to most of the other companies, especially noting that large changes have been made on all levels of the company (Gregoric et al. 2009)

5.2.2 *The Process*

It seems that Nokia's international operations have advanced "by the book", starting with marketing and reaching foreign direct investment in the 1990s. While for the Board of Directors the internationalization process feels almost mandatory, as there was a "complete lack" of qualified candidates, but for the Group Executive Board the motivation was more about the talent and ensuring that the best is recruited. Of course the Board of Directors requires experiences from various positions and often several companies, while the quality of members on the Group Executive board can be somewhat controlled by growing them inside the company. This is the ideal long-term plan but requires that the top talent is retained in the company, and not lost to competitors after training.

While trying to locate eligible board members, broadening the search to the whole world may enlarge the talent pool, but it also makes it more difficult to actually find prospective candidates and get in touch with them, not to mention if equal talent is found, the decision is more difficult. However, by keeping recruitment of board members within the company, it is easier to search for the exact talent needed, and know when they have found it.

The advancement opportunities for anyone within the company seem equal. The path seems clear according to all the interviewees, and a base for a truly global, inclusive workforce is set. It is clear, though, that there is much work to so still, as it is such a focal point in the company.

5.2.3 Success of Internationalization

If diversity and inclusion were tick-box exercises, as it seems from looking at recipes for successfully integrating diversity, certainly Nokia would be able to claim that they have covered all these aspects and made the effort. However, diversity also requires something from the employees to really be a part of the company culture. Also, most of these aspects do not necessarily mean that the top management will be diversified further – that is something that is for the current management to decide, and to ensure that there are no barriers for anyone to advance in their careers based solely on their merits.

Looking at the figures in Nokia's top management, the teams have been internationalized effectively. It seems that at this level diversity is such a standard, that no efforts are required for inclusion. Perhaps the main efforts need to be placed on the lower levels now, which is why the diversity program is an ongoing process. However, as long as internationalization is something that especially needs to be paid attention to, there is still work to be done.

5.2.4 Other Forms of Diversity

All the interviewees agreed that language issues are not a problem at Nokia. However, we must note that all the interviewees spoke either Finnish or English as a mother tongue. Also, when examining the composition of the Board of Directors as well as the Group Executive Board, nearly all members have either Finnish or English as their native language. In fact, only Lalita Gupta in the Board of Directors and Hallstein Moerk in the Group Executive Board originate from countries other than Finland or the English-speaking world – and even India is a border-line case in this categorization as English is considered the most important language for national, political, and commercial communication there (CIA Fact book). When asked to give examples of senior managers with other mother tongues, the interviewees required a long time to think of names, and even then only one actual name was mentioned.

The focus at the moment at Nokia is broadening the term diversity to anything that makes people individuals. However, it seems that for both the Board of Directors and the Group Executive Board the target is to find more international candidates. In fact, since the interviews, a new member was elected to the Board of Directors, who was Isabel Marey-Semper, a French woman.

It is interesting that although women in management has been a topic since the discussion of glass ceilings in the 1990s, more advancements are needed in this aspect than in geographical diversity. Of course one can speculate that this is not only Nokia's fault, but also that technological studies are still male dominated, and Nokia is strongly a technology company.

5.2.5 The Importance of Diversity

As Perlmutter (1969, 11) states: "The attitudes of men are clearly more relevant than their passports". This is a statement that all the interviewees seem to agree with, some almost word for word.

Although diversity has been integrated in the company and its values, the fact that it is a constant focal point and an ongoing program reflects the importance placed on it. It would seem that all the interviewees thoroughly understand that diversity is vital for the company, although perhaps different views on it still exist, and emphasis is placed on different forms of diversity, from geographical diversity to anything that makes a person unique.

5.2.6 Obstacles to Overcome

It seems that as long as diversity needs to be separately discussed and promoted, it is still an issue. Also, the feelings of positive discrimination may not be completely imaginary. An interviewee stated, "I would be very reluctant to [employ] a Finnish person next. Very reluctant. Because of this signal, this signal thing. It could create feelings of [Finns having better advancement opportunities]" This is the flipside of

promoting diversity, or it could be pictured that it has gone slightly too far, and now needs to return, or transform, in order to reach a perfect balance.

One of the barriers that was mentioned to internationalizing the top management was relocating international managers to Finland. Spreading the Executive Group on two continents has solved this to thus far. This solution seems to be working well, as the headquarters is almost virtual in practice. In fact, Nokia could even experiment with spreading the team even further, since the executives spend much of their time traveling anyway.

Finding Asian talent was named a great challenge. It is more than likely that it is just a matter of time before more Asian talent is introduced in the workforce around the world. As it is, if they need perspectives from this market, an alternative is using personnel expatriated to Asia for longer periods of time. Although it may not completely open up the culture, they are more likely to have an insight to it, as well as to have the needed international mindset that is required for reaching the top management level.

The question is, how has Nokia managed to create a functioning work environment that embraced diversity by doing the same as everyone before them, while so many other companies have failed in this. It seems that through the “Nokia Way”, the values set in the company, the culture is attempted to be made diverse and inclusive by nature. However, the company must be careful to embrace diversity in all forms, and not only when it fits in with the company value.

6 SUMMARY AND CONCLUSIONS

The starting point of this study was to determine if financial benefits can be gained from having a diverse Board of Directors. However, as the study continued, a more interesting phenomenon seemed to be in particular the internationalization of the Board of Directors. As a contrast, the similar process for the Group Executive Board and in on some level the senior management below it was studied, as it seems that the composition of the senior management is more likely to give a more accurate picture.

As the theme of the study evolved, three main themes were chosen for creating a comprehensive theoretical base for the study. These themes were the internationalization of a company and its management, diversity management, and talent management. These topics were derived from interviews with Nokia management as themes they brought up during the interviews.

Nokia had two major motivators for internationalizing its top management starting in the 1990s. The first one of these was the fact that the company's operations quickly expanded outside its former market area, shifting its core market area outside Finland and leaving only a minimal part in its former home market. The other main reason was to enlarge the talent pool from which to draw the best employees and management, as the pool in Finland was suddenly too small.

Jorma Ollila started the internationalization process in the early 1990s, when he became CEO. However, the first foreign members on the Board of Directors were elected only in 1998, and the Group Executive Board got its first foreigners since 1991 in 2004. Since then, the internationalization process has progressed successfully. As of April 2009, five out of 11 members of the Board of Directors are from outside Finland, and four out of 12 members of the Group Executive Board are foreigners. Altogether 54 % of top management was Finnish in 2007. In comparison, at the same time 28 % of

employees were foreigners.

The financial benefits that could be directly allocated to internationalization have not been calculated, and the general opinion is that it would be impossible to do so. However, the interviewees all agreed that there is definitely a link between these two, and without opening the doors to employees from all over the world, Nokia would undoubtedly miss out on major innovations as well as top talent, which would lead to decreasing competitiveness. The path also has to be clear to the very top of the organization in order to show that everyone has equal advancement opportunities, which makes talent retention easier.

Despite the fact that Nokia prides itself on being a truly global company with an open, diverse workforce, it still puts time and effort into a diversity programs for promoting inclusion. Internationalizing the top management may not be the only option for tapping into diversity and innovation, as people can have different experiences through other methods than having a foreign passport. Meanwhile, it is a way to bring in knowledge about markets, and one of the more visible ways of diversifying management, which can in turn function as a signal effect for others. In fact, the focus at Nokia has shifted from simply introducing foreign passports, or even diversity in the company, to creating an inclusive work environment, which is ultimately a part of talent management – making sure that the best talent is obtained and retained.

It could be that once the top management has set its mind to diversification, and also crosses the critical line to be considered diverse, not so much effort is needed to implement inclusion. In an international company such as Nokia this is most likely due to the fact that the members of this group normally have vast international experience and take working in diverse groups as given. The best way of portraying this attitude is implementing it in managerial decisions as well as management composition, so that the lower levels of employees also adopt this attitude.

There is a slight paradigm in discussing the internationalization of a company, management attitudes, as well as diversity management in the workforce. On one hand, staff internationalization usually starts from the bottom up, as manufacturing is moved abroad, then foreign sales offices are staffed with host country nationals, and finally foreigners are employed at headquarters. Meanwhile the management's attitude towards international staffing evolves, but it could be that on lower levels the attitudes leave room for development, and programs for inclusion need to be put in place.

6.1 Managerial Implications

While Nokia's model may not suit all companies, it has implemented an internationalization strategy to become a global company. Other organizations that strive for this status may want to learn from this process. Also, even if globalization is not the objective, if the organization has a diverse workforce, it will need to implement a process to manage it. This is vital especially in order to reach a point where the focus is no longer on managing diversity, but instead on talent management to gain and retain the best talent. In terms of internationalizing, the following points arise in Nokia's case:

1. Erase the idea of a home market; instead every market is treated as a home market.
2. Make sure that diversity is present in all levels of the company, including the top management.
3. Clear all obstacles to the top – the path should be open for the best talent.

6.2 Suggestions for Further Study

The starting point of this study was the Nordic context of diversifying the Boards of Directors. The interviews held suggested, that this geographical aspect might not give relevant answers to the question at hand, but instead conducting a similar study of companies in the same industry would be an interesting theme. Also, as the studied

group for this particular study was expanded to include not only the Board of Directors, but also the Executive Board, it would be interesting to see if the other cases would provide different answers if their focuses were expanded.

Also a more longitudinal study would be interesting to conduct, which would follow the process of the internationalization of the top management as it progresses from a strictly domestic team to an international group of people. This would give better information about the mindset and attitudes of the ones making the decisions, while eliminating the risk that stories of unsuccessful attempts are left out. A study of this type, though, would most often require years of observation.

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